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11/09/2012	Election Concludes – Will This be an Era of Alternative Energy?	Planet Berry Llc
11/09/2012	Election Concludes – Will This be an Era of Alternative Energy?	Cleantechies Cleantech Blog
11/09/2012	Coal and Oil hit by Obama's second term	Utility Products Magazine - Online
11/09/2012	Verenium Corporation's CEO Discusses Q3 2012 Results - Earnings Call Transcript	Seeking Alpha
11/09/2012	FOLLOWING ELECTION, EPA EXPECTED TO QUICKLY ISSUE SUITE OF DELAYED RULES	Inside EPA Weekly Report
11/08/2012	Harsher energy regulations seen in Obama's second term	Sify.com
11/08/2012	Harsher energy regulations coming in Obama's second term	Chicago Tribune Collections
11/08/2012	Obama could put heat on drillers but stall gas exports	Chicago Tribune Collections
11/08/2012	State, Not Federal Legislation Likely to Impact Frac Sand Market	Rock Products - Online
11/08/2012	The Generation (And Other) Gaps	Financial Advisor - Online
11/08/2012	Majority Of Gens X And Y Expect To Retire Before 65	Financial Advisor - Online
11/08/2012	Advisor Emporium	Financial Advisor - Online
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11/08/2012	New York Anti-Fracking Candidates Fared Poorly At Polls	Huffington Post, The
11/08/2012	Harsher energy regulations seen in Obama's second term	Yahoo! Finance Singapore
11/08/2012	EPA Calls For More Public Input On Fracking Study	Law360
11/08/2012	Coal, gas industries await effect of four more years of Obama - Business, GovernmentLegal News from throughout WV	State Journal - Online, The
11/08/2012	Environmentalists, Industry Square Off On Emissions Data	Oil and Gas Investor - This Week
11/08/2012	Obama to Weigh Energy Boom, Climate Change in Second Term	MedicalDaily.com
11/08/2012	Obama could put heat on drillers but stall gas exports	Reuters

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11/08/2012	Fight over greenhouse gases may be slowed	Columbus Dispatch - Online
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11/08/2012	UPDATE 1-Obama to weigh energy boom, climate change in 2nd term	Reuters - Online
11/08/2012	UPDATE 4-Harsher energy regulations seen in Obama's second term	Reuters - Online
11/08/2012	An Energy Policy Preview of President Obama's Second Term	Independent & Free Press, The
11/08/2012	Harsher energy regulations seen in Obama's second term	MSNBC - Online
11/08/2012	Obama to weigh energy boom, climate change in second term	WTBX-FM - Online
11/08/2012	UPDATE 2-Harsher energy regulations seen in Obama's second term	Power Engineering Magazine
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11/08/2012	Obama to weigh energy boom, climate change in second term	Imperial Valley Press - Online
11/08/2012	Supporters cheer U.S. President Barack Obama after he gave his victory speech during his election night rally in Chicago	IBNLive India News
11/08/2012	Harsher energy regulations seen in Obama's second term	IBNLive India News

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Election Concludes – Will This be an Era of Alternative Energy?
Planet Berry Llc

11/09/2012

The U.S Presidential Elections have finally come to a close as a victorious Barack Obama gets another four years as President of the United States. A lot of people still have hope that with his re-election, things will change for the better. As a citizen who values the environment, what exactly can we expect from the newly re-elected president?

While checking the Internet a few weeks before the election day, I chanced on an article talking about both Presidential candidate's energy policies. These were what both candidates were planning to about the energy crisis should they become the President:

Mitt Romney

- Wants North American Energy Independence and wants more energy imports from Canada.

- Wants to take away the EPA's ability to regulate carbon dioxide, which is labelled by the said agency as a "greenhouse gas".

- Give the ability to issue drilling permits to the state instead of the Interior Department.

- Eliminate tax credits for wind projects and keep the tax breaks and incentives for oil and gas drilling, amounting to $4 billion per year.

Barack Obama

-Wants a "win-win" strategy and wants the United States to be independent from foreign oil.

-Wants to develop more strategies on harvesting natural gas, which he says is abundant in the United States

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-Raise federal standards on fuel efficient cars and trucks

-Letting EPA keep its ability to regulate carbon dioxide emissions

-Maintain incentives for renewable energy

Well, now that Obama's won, I guess the energy policies listed above are most likely to happen during the next four years. Now let's take a few minutes of our time to check what exactly are the advantages and disadvantages of each of these policies?

Let's talk about the United States being dependent from oil. President Obama wants everyone to realize that there are alternative sources of energy asides from fuel deposits. There's solar power, wind power, natural gas and all other kinds of renewable and alternate energy sources. The only problem that I see is that these giant petroleum companies would most likely do everything in their power to not make this a reality. Think about it; there's been hundreds of inventions linked to the efficiency of solar power and yet, the past governments have not done anything to support the technology. Yeah, sure, solar power might not be reliable right now, but with research, we will find a way to make solar power available to everyone.

That is probably the reason why the newly re-elected President wants to maintain the incentives for renewable energy; in order to persuade local scientists to keep on researching about alternate energy.

Raising federal standards on fuel efficient cars and trucks is a good idea. With fossil fuels so scarce, cars and trucks that were designed to run on less fuel should be introduced to the general public. In fact, in Japan and some countries in Asia, they use bicycles in order to save fuel and save money from buying gasoline for their vehicles. Fuel efficient cars are the best solution to maintaining sufficient petroleum for everyone to use. Not to mention, it also helps the environment because of clean air!

Lastly, we have President Obama's desire to use natural gas as America's solution to the energy crisis. Natural gas is cleaner than petroleum and all other forms of fossil fuel. However, the big "BUT" here is the way natural gas is being harvested. Hydraulic fracturing is used to get more natural gas but it pumps in hazardous chemicals within the earth. This will most likely harm the water reservoir hidden underneath the ground. Not only that, the chemicals used are poisonous to humans and contact with the said chemicals have caused health problems. Here's hoping that President Obama will realize its harmful effects and do something about it.

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Article by Jessica Greenberg is an avid green blogger from San Diego, California. When she's not researching about natural gas and it's advantages for home use, she's helping the community in a nearby community centre.

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Election Concludes – Will This be an Era of Alternative Energy?
Cleantechies Cleantech Blog

11/09/2012

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Coal and Oil hit by Obama's second term
Utility Products Magazine - Online

11/09/2012

FULL TEXT

Reuters

Energy producers braced for tighter regulation in President Barack Obama's second term, with coal companies expecting more emissions restrictions and drillers anticipating less access to federal land even as his platform promotes energy independence.

Opponents already believe Obama has waged a "war on coal" through the administration's push for stricter regulation of greenhouse gas emissions by the Environmental Protection Agency.

"Four more years of President Obama translates into additional pressure on the coal industry from the EPA and numerous environmental groups," energy investment bank Simmons & Co said in a note to investors on Wednesday.

Analysts at ClearView Energy Partners in Washington expect Obama to "continue prosecuting energy policy through regulation and administrative action, with only the courts as a check on that agenda."

Miners criticize Obama for not living up to a 2008 promise to develop clean coal technology, arguing that his policies actually preclude the construction of any new coal plants.

Shares of U.S. coal companies plunged on Wednesday. Arch Coal and Alpha Natural Resources ended trade down more than 12 percent, while Peabody Energy closed 9.6 percent lower.

Eric Green, senior managing partner at Penn Capital Management, which owns coal stocks, said the sell-off was "100 percent related to election results."

Alpha Natural Resources Chief Executive Kevin Crutchfield argued that the United States, with the world's largest coal reserves, should use what it has. "We would hope the administration remains true to its campaign promise to support coal as an indispensable part of our nation's energy mix," he said.

Yet up to 33 gigawatts of coal-fired power generation is estimated to be due for retirement - 3 percent of U.S. capacity. While tougher emissions regulation play a part, that change is also driven by cheap natural gas as an alternative power source.

Obama has paid plenty of lip service to natural gas because it burns cleaner than coal, and his approach to the oil and gas industry in general is more nuanced.

He has pledged to cut oil imports in half by 2020 and advocates an "all of the above" approach to developing domestic energy sources. Yet he has also said that he would roll back subsidies for oil companies and reduce U.S. reliance on oil by mandating production of more fuel-efficient vehicles.

"The Obama administration really hasn't helped the oil and gas industry," said Michael Linn, founder and former chief executive of Linn Energy. "It's going to be a tough four years."

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FOOT ON GAS, TAX BREAK THREAT

More restrictions are expected for companies drilling on federal lands, as well as more rules governing water management and methane emissions. Any new rules related to hydraulic fracturing may drive up costs for active drillers including Chesapeake Energy Corp and Exxon Mobil Corp.

"You are going to have less access to federal lands and tougher government agencies," said Dan Pickering, chief investment officer at TPH Asset Management, part of energy-focused investment bank Tudor Pickering Holt in Houston.

Obama's solid support for natural gas on the campaign trail won him praise from America's Natural Gas Alliance, a lobby group. But he also wants to eliminate $46 billion in subsidies for fossil fuel companies, a plan producers vigorously oppose.

Virginia Lazenby, chair of the Independent Petroleum Association of America whose members supply 54 percent of U.S. oil and 85 percent of its natural gas, worried about potential "duplicate" federal regulation of what states already do, and rejected the call to collect more tax from the industry.

"IPAA hopes President Obama will stop his call to eliminate the crucial tax provisions of intangible drilling costs and percentage depletion, which are not subsidies at all, but allow independent producers to reinvest 150 percent of their cash flow into new energy projects," she said.

While the Obama administration put approval of TransCanada's Keystone XL pipeline on hold, eventual approval is expected, which will increase the flow of cheaper crude oil from Canada to refineries on the Gulf Coast at Port Arthur, Texas.

Companies with refineries in Port Arthur or in nearby Beaumont include Valero Energy Corp, Royal Dutch Shell , France's Total and Exxon.

FORECAST: SUNNY SPELLS, BREEZY

Obama has promised more assistance for solar and wind technology, though he will need congressional support to extend tax breaks that help those industries.

"Obama can love solar as much as he wants, but I don't know that a whole lot more is going to happen in terms of new, constructive policy," said Morningstar analyst Stephen Simko.

Obama's advisers include Energy Secretary Steven Chu, a Nobel Prize-winner with expertise in renewable energy, who regularly talks up the government's role in developing hydraulic fracturing technology. The top White House energy adviser is Heather Zichal, who has been an advocate for green jobs and tackling climate change by reducing dependence on oil.

Obama's green policies had a major setback when solar power company Solyndra collapsed after receiving a $535 million federal loan guarantee. And his energy strategy shifted away from climate change when a bill establishing a cap-and-trade system to curb carbon emissions died in the U.S. Senate in 2010.

Renewable energy also faces obstacles that are not directly related to policy: competition from low-priced natural gas; lack of infrastructure to connect projects to the grid; and a glut of solar panels putting manufacturers out of business. Yet having Obama back was broadly welcomed by most in the green business.

"The renewable energy industry and solar have retained a really important ally in the White House," said Arno Harris, chief executive of U.S. solar installer Recurrent Energy, a unit of Sharp Corp. "Solar and renewable energy were so severely attacked during the campaign that the president's win, I think, gives him a mandate in pursuing a clean energy agenda."

CHEMICALS BRACE FOR HIT

Obama is also likely to implement long-delayed emissions regulations for industrial boilers that are commonly used by chemical makers. The centerpiece provision, Boiler MACT (Maximum Achievable Control Technology), was proposed in 2004 but effectively shot down by courts before the EPA revived it in 2011.

It has been winding its way through courts again, and the EPA is due to issue new rules by December.

Obama's victory may embolden EPA Administrator Lisa Jackson to further tighten Boiler MACT regulations next month on limits for dioxin, mercury and carbon monoxide emissions. It is not clear if Jackson will stay at the agency in Obama's second term.

"While we don't agree with some of the provisions (of Boiler MACT), we think that it will be pushed through more readily than if Romney had won," said Lawrence Sloan, president of the Society of Chemical Manufacturers and Affiliates, a trade group.

News Clips Report

Verenium Corporation's CEO Discusses Q3 2012 Results - Earnings Call Transcript Seeking Alpha

11/09/2012

James Levine - President and CEO

Jeff Black - SVP and CFO

Janet Roemer - EVP and COO

Unknown Analyst - Jefferies & Co

Verenium Corporation (VRNM) Q3 2012 Earnings Conference Call November 7, 2012 5:00 PM ET

Good day ladies and gentlemen, and welcome to Verenium Corporation Third Quarter 2012 Earnings Conference Call. (Operator Instructions)

I'd now like to introduce your host for today's conference, CFO Jeff Black. Mr. Black, you may begin your conference.

Jeff Black

Good afternoon an d thank you for joining Verenium's third quarter 2012 conference call. I'm Jeff Black, Chief Financial Officer, and with me today are Jamie Levine, our Chief Executive Officer, and Janet Roemer, our Chief Operating Officer.

The agenda for today's call is as follows. First, Janet will discuss commercial operations, including third quarter performance. Next I will review our financial results for the period and provide updated 2012 financial guidance. And Jamie will conclude with some commentary on the third quarter, the next strategy and outlook going forward.

Before we begin, I would like to advise you that this discussion will include certain statements that are not historical facts and are forward-looking statements that involve a high degree of risk and uncertainty. These statements relate to matters such as our strategy, future operating plans, markets for our products, including our ability to develop and launch new product and timelines for doing so, including our market size and our ability to access those markets, partnering and collaboration activities, including our ability to enter into any future partnership or collaboration, the benefits of our invent collection, public policy, financing activities, technical, and business outlooks.

The company's actual results may differ materially from those projected in such forward-looking statements. Factors that could cause or contribute to differences include, but are not limited to, those discussed in our filings with the SEC, including, but not limited to, our report on Form 10-K for the year ended December 31, 2011, and in our subsequently filed quarterly reports on Form 10-Q. These forward-looking statements speak only as of the dates hereof.

I will now turn the call over to Janet.

Janet Roemer

Thank you, Jeff. Good afternoon everyone and thanks for joining us. I'll now provide you some detail on our products and operational performance and our outlook. Our service revenue from our largest product line, animal health and nutrition and our lead product, Phyzyme Phytase. The decrease in our topline in the third quarter there is an explanation that is unrelated to market conditions.

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Because we needed to take one of our three preventers out of service for planned upgrades in the third quarter, we chose to shift Phyzyme manufacturing to our partner, DuPont and consequently did not recognize the related manufacturing revenue ourselves, which carries no margin because we transferred the product at cost.

Gross revenue for the third quarter is down considerably versus the second quarter, though this did not impact product gross profit. Though we do not break out the components of revenue in the animal health and nutrition product line, after accounting for these factors, the underlying business is about on par with 2011 year-to-date despite generally soft market conditions.

Turning to our second largest product line, grain processing, revenues fell in the third quarter and is down year-to-date, reflecting continued adverse industry conditions, largely due to reduced demand for gasoline and therefore ethanol. Decreased ethanol prices combined with continued high corn prices have resulted in poor and even negative margins for ethanol producers, forcing plants to reduce operating rates or halt operations entirely until margins recover. We saw these effects in both the US where we sell directly and in Europe where we sell through a distributor.

On the positive side, trial activity for our lead product, Fuelzyme alpha-amylase, picked up in the third quarter and we are winning some new customers as a result of demonstrating the economic benefits of our product and recently we have seen some improvement in European demand. In concluding my commentary on grain processing, the outlook for the industry continues to be weak. For Verenium, our job is clear and that is to increase our share of the market by winning new customers and we are confident that our value proposition of reducing enzyme cost per gallon of ethanol resonates well with customers looking at all sorts of savings.

Turning now to oil field services, in the third quarter we continued to sell small volumes of Pyrolase cellulase enzyme used in hydraulic fracturing or fracking operations as an alternative to chemicals. While Pyrolase is a superior fluid breaker solution for use in situations with downhole temperatures up to 180 degrees Fahrenheit, we also announced last quarter that we developed a hypothermal stable guar breaker for use in more extreme temperature and PH condition and received EPA authorization to mark this product.

We recently named this product Pyrolase HT for high temperature and it's one of the present products disclosed with last quarter's conference call. Last month we presented a paper co-authored with Schlumberger summarizing their laboratory evaluation of this new product relative to chemical breakers at the Society Petroleum Engineers Conference. We are happy to report that we presented to a packed room and the paper generated significant interest from three important tiers in the oil and gas industry, oil field service companies, oil and gas producers and chemical suppliers. The paper is now available for purchase on the SPE website and the next important milestones will be producing this product at commercial scale and conducting field trials to confirm the performance parameters predicted by the lab data.

In addition to progressing Pyrolase HT through our pipeline, we made significant advances in the animal feed enzymes we are developing in partnership with Novus International, a leading animal health and nutrition company. In addition, we completed a commercial scale field trial of another pipeline product and remain on track with our project plan.

Though we have no specific milestones we can disclose publicly today, over the quarter, there was significant progress by our research and business development bio processed development, quality and regulatory team concentrated on moving our pipeline products closer to commercialization along with timelines disclosed last quarter.

Turning now to manufacturing, as I mentioned in my opening remarks, we had one fermentor representing one third of our capacity out of service in the third quarter to implement upgrades that are a major component of our longer term plan to improve operations. The fermentor is back in service and as we dial in various operating parameters we are encouraged by initial results.

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We expect to bring two additional vessels down for similar upgrades over the next six months. Once fully implemented and back on line, these upgrades are intended to improve overall manufacturing quality, improve yields and as a result, reduce overall cost of goods sold. In addition, we recently completed the construction phase of our private plant in San Diego and are in startup mode. This state of the art facility is a key asset for driving continues improvements in manufacturing of commercial products, for developing processes for new products and for producing test article for the regulatory phase of pipeline product development.

And with that, I'll turn the call over to Jeff to review our financial performance.

Jeff Black

Thank you, Janet. Over the next few minutes I will provide a brief overview of the financial results that we announced earlier today and provide some commentary on our updated financial guidance for 2012.

For the nine months ended September 30, 2012, our product and contract manufacturing revenue decreased over last year from about $42 million to $36 million. This decrease is primarily due to a few main factors. First, as Janet mentioned, in animal health nutrition, our gross revenue from Phyzyme which we manufacture and transfer at no margin, is down due to a shift in production to DuPont. We also saw a decrease in toll manufacturing revenue that we generated in 2011.

Second thing is, Janet also mentioned conditions in the corn ethanol industry that impacted our grain processing product revenue. And third, the sale and license of our purified and Veretase products to DSM earlier this year has resulted in a reduction of our year-over-year revenues. Our gross profit from combined product and contract manufacturing revenue for the nine months ended September 30, decreased from $60 million in 2011 to just about $4 million and our gross margin percentage from combined product and contract manufacturing revenues decreased to 33% from 38%.

Our gross profit dollars and associated gross margin percentage have decreased primarily due to a couple of factors. First, out of capacity due to downtime from our plant manufacturing upgrades. The negative margin impact related to idle capacity from downtime was roughly $800,000. The second, a shift in sales mix from higher margin grain processing revenue to a lower margin supply agreement with DSM.

Our collaborative license revenue increased in the nine months ended September 30, 2012 from just below $5 million in 2011 to just above $7 million and the major drivers here were license fees from Novus and DSM. We think it's especially important to note that the potential for variability in our collaborative and license revenue can impact our reported operating loss or income on a quarter to quarter basis. Our operating expenses, excluding our cost of product and contract manufacturing revenue, restructuring charges and the onetime gain from the sale of DSM increased for the nine months ended September 30 to about $26 million in 2012 from just under $20 million in 2011. While our ongoing general administrative expenses remain flat year-over-year, research and development expenses have increased by about $3.5 million which reflects our continued investment in product technical support and pipeline products.

We ended the quarter with unrestricted cash of roughly $13 million and $4 million in restricted cash.

Subsequent to our third quarter, we entered into a $10 million revolving credit facility with Comerica bank, and this credit facility will allow us to borrow up to $8.4 million against certain eligible receivables and will also cover an existing cash through our letter of credit commitment to our landlord, which immediately frees up $1.6 million in restricted cash. To date, we have not drawn down on this facility.

Before I turn the call over to Jamie, let me provide some commentary on the updated financial guidance for 2012 that we released earlier today. For the full year 2012 we now expect total revenue between $53 million and $55 million. We expect to generate gross profit between $14 million and $16 million and excluding the gain on DSM transaction we expect an operating loss between $11 million and $13 million.

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Our revised guidance reflects a couple of notable shifts from our initial expectations. From a revenue perspective, as we've mentioned challenges in corn ethanol industry had impacted overall industry production volume. As a result we've seen increased dependent pressure as well as delays or extensions of trials which consequently have affected the timing of new customer adoption. In addition, while we are encouraged by the continued interest we are seeing from potential customers for Pyrolase products, in oil field services, customer adoption has been slower than anticipated.

From a gross profit perspective, our revised guidance reflects a reduction in expected revenue as well as the negative margin impact of downtime related to our manufacturing upgrades that we previously mentioned.

With respect to operating loss, while our revised operating loss guidance is higher than our initial estimated range, we've been able to mitigate the overall impact of reduced revenue in gross profit guidance to prudent operating expense management.

Finally, we expect capital expenditures between $8 million and $9 million in line with guidance we previously issued and this includes both investments in manufacturing in Fermic, as well as capital that was required to complete the build out of our new San Diego facility.

Despite shortfalls in revenue and gross profit against our initial expectations we expect our yearend cash position to be in line with our initial expectations.

And with that, I'll turn the call over to Jamie.

James Levine

Thanks, Jeff. I'd like to end today's call with a few comments. First, from a high level perspective I'd summarize our third quarter with the following points. We took significant steps forward operationally this quarter installing some of the important upgrade equipment at our manufacturing plant in Mexico, and are now in the installation and optimization phase of our manufacturing improvement program.

Next, it was a challenging quarter for our product revenue and gross profit. If you look at our first half performance and our previous guidance, you can see we had forecast higher costs in the second half of the year but given the impact on revenue from having our partner DuPont manufacture more of our lead product, and a combined impact of absorbing the manufacturing downtime while we install the upgrades, and the headwinds we continue to see in the corn ethanol industry, we feel the need to lower our full year guidance.

But finally we've always said that we can manage the business to reflect the environment and we've done just that. We managed cash cost and expense so that even with the lower performance year to date, our overall cash position is in line with the cash position implied by our guidance issued on our Q1 call.

My second comment relates the recent announcement from BP regarding to their decision not to move forward with the planned commercial scale Cellulosic Ethanol plant in Florida. When we announced the transaction with BP in July of 2010, our core principle of that sale was that neither party was dependent in any way on the other. Today, we are operationally independent from BP, and BP's decision regarding its approach to its Cellulosic Ethanol development efforts have no impact on our business or our future growth plans.

My third comment relates to the future partnerships we've spoken about in the past and I can only say our efforts are on track. In most of the end markets we've identified for expansion, we are progressing multiple discussions with the largest players in their respective industries and in many instances our prospective partners are already testing samples of enzymes from our enzyme collection to accelerate our partnership discussions and our product development timeline. We will update you as appropriate on the results of these efforts in the future.

My fourth comment relates to the impact of all of these events on our strategy. Currently we have a narrow product portfolio but its position in the market shows that our strategy of targeting markets with the benefits of high performance enzymes are both measured and rewarded by customers is sound. Our products compete well in the market place and our strategic focus remains on launching new products like those on our product type line, and improving our manufacturing capabilities to reduce costs. And that requires investments like the type we made in the third quarter. Simply put the volatility in our current product revenue reflects the narrow portfolio we have today and that's why we are still focused on diversifying going forward.

Finally, I am frequently asked about our market value and my main comment would be the focus on facts. In Q1 of this year, we sold two commercial products with $7.5 million in LTM revenues as well as certain products under development to DSM for $37 million. Today we have eight commercial products and total LTM revenues of $58 million. We have late-stage pipeline products that we identified in our Q2 earnings call with launches beginning in 2013. We have our commercial scale manufacturing platform, we have our vast R&D capabilities including our state of the art pilot plant in San Diego, and we have a highly protected IP position through our 657 owned and in-licensed patents and patent applications. Our current partners like Novus, DuPont, Cargill and Tate & Lyle, see the value in our products and our technology and we believe our strategy of creating the highest performing products is not impacted by the challenges we discussed this quarter.

In addition, I'd like to point out that we recently held our capital markets day in New York and the slides and audio presentation is available in the investor section of our website. While we look forward to making further announcements of our progress with partners and executing against the 2013 milestones we laid out in our capital markets day presentation, I hope the detailed review in our capital markets day presentation of the products that we are selling today, the product pipeline that we have today, the major partners that we have today and the support of capital structure we have today demonstrates the substantial value that exists today within the company.

With that, we'd be happy to take your questions.

Question-And-Answer Session

Thank you. Ladies and gentlemen, (operator instructions). Our first question comes from Laurence Alexander. Sir, you may begin.

Unknown Analyst - Jefferies & Co

I'm in for Laurence, thanks for taking my question. At the investor day you guys outlined a handful of products mainly in grain processing that will be commercial in 2013 and I know you just touched on it briefly. But are those products still on track for 2013 release or are these prolonged customer trials more of a broad based issue? And more so, what are customer interest in like and which products would you have to sort of think that you might launch first?

Janet Roemer

So to answer your question I think the – this is Janet Roemer, I would say that we are on track with the products that are in the pipeline for the grain processing in overall that customer recent activity for doing the commercial field trial as we have a choice of more than one customer interested in doing that. So I think there is great interest in proving the economics of the ethanol process using new novel enzyme approaches. And I say that the current industry conditions -- I don't think that the new offerings would face the same challenges that we faced with our core products in approaching the industry because I think there is a great deal of interest in some of the more progressive companies in looking at new technologies.

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Unknown Analyst - Jefferies & Co

Okay. Ladies and gentlemen (operator instructions). Okay, I am showing no further questions so I'll turn the conference back over to you Mr. Black.

Jeff Black

So, thank you everyone for joining us today and we look forward to updating you on our continued progress.

Thank you ladies and gentlemen, this does conclude your conference and you may disconnect.

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FOLLOWING ELECTION, EPA EXPECTED TO QUICKLY ISSUE SUITE OF DELAYED RULES
Inside EPA Weekly Report

11/09/2012

With President Obama winning a second term Nov. 6, EPA is expected to quickly finalize several high-profile and controversial rules that had been delayed by the election -- including its plan to cut greenhouse gas (GHG) emissions from new power plants, a new air quality standard for particulate matter (PM), a package of air toxic rules for boilers and incinerators and a separate air rule for cement plants.

It is also expected to soon propose a so-called Tier III standard to cut pollution from motor vehicles and fuel.

The agency has not issued controversial rules since early this year, delaying many until November or later, while releasing popular, relatively non-controversial items such as its vehicle GHG rule. Many observers said EPA intentionally sought to establish court deadlines for controversial actions that would deflect attention from it ahead of the election (Inside EPA, July 20).

But any rules that the agency releases in the coming weeks and months will likely draw considerable opposition from Republicans, who have been warning for weeks of an expected "tidal wave" of EPA rules if Obama won re-election. Sen. James Inhofe (R-OK), who is expected to step down as the ranking Republican on the Senate environment committee, accused EPA of intentionally delaying rules until after the election so that the Obama administration can skirt accusations that it is seeking to shutter fossil fuel production and associated economic pain before voters went to the polls. Inhofe has also been criticizing the administration for failing to release its semi-annual regulatory agenda, which is mandated by the Regulatory Flexibility Act.

And Susan Dudley, the Bush administration's regulatory review chief, warned in an Oct. 9 paper of an upcoming "tsunami" of EPA rules -- both final and new proposals -- that had been put on hold during the past two years. Obama's "track record and agenda portend a longer and larger tidal wave of new regulations," Dudley wrote. Relevant documents are available on InsideEPA.com. (Doc ID: 2415513)

Even though Obama's victory means that that EPA has four more years to complete work on an ambitious second-term agenda, some industry and environmentalist sources now believe the agency will seek to quickly move some of the long-stalled measures during the immediate weeks after the election in part to avoid getting caught up in looming partisan fights on Capitol Hill over fiscal issues.

One energy strategist describes two schools of thought on EPA priorities in the coming weeks: "EPA will either rush the rules out before the Republicans can get organized and in front of whatever deal they're going to have on the debt ceiling and tax rates," the source says.

A second, more traditional approach would be for EPA to bleed the rules out more slowly between now and June 30, the source explains.

The strategist expects EPA officials to push things out the door in the next three weeks because if they do it over six months they will allow congressional Republicans more time to get organized as the appropriations process gets under way and appointments can be held hostage.

"All kinds of things that can happen that aren't good if you are EPA," the source says. "If you're at EPA, you're thinking the sweet spot starts [Nov. 8] and ends the Sunday of Thanksgiving weekend. Get all your stuff out while people are looking the other direction . . . To the extent they are ready, that's what they do," the strategist says.

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This source also expects EPA to issue whatever it can in November in lieu of rolling things out between now and Inauguration Day in January, again because of concern that its agenda could be held up by Congress.

However, one industry source says that the pending EPA actions will not be nearly as costly "compared to things that have already happened" and are being contested, such as the agency's utility air toxics rule.

Some environmentalists also want Obama to finalize the stalled rules so he can move onto a second term focused on reducing GHGs from existing power plants and other sources -- a step Obama suggested he would take in his victory speech early Nov. 7 when he said he wants a nation "that isn't threatened by the destructive power of a warming planet."

An EPA spokeswoman did not respond to a request for comment on the agency's priorities or agenda.

However, other industry sources downplay EPA's focus on how Congress might interfere with its work. A second source says reducing the backlog of stalled rules will be an EPA priority, due to pressure from environmentalists and courts, but "I don't foresee the congressional relationship being a big factor in terms of pace and timing."

A third industry source agrees that EPA can "take a little more time" now that Obama has won, but is keeping an eye out for the final power plant GHG new source performance standard (NSPS). That rule "is one that's been well baked and can more forward pretty quickly."

Other items being discussed for fast-tracking but considered less likely to move immediately include a cooling water intake standard for power plants, where EPA faces a June 2013 legal deadline; and a rule to regulate coal ash, though EPA has said it will not finalize it until 2014.

This source also expects an emboldened EPA to propose a number of major new rules, including a tighter ozone national ambient air quality standard (NAAQS) possibly as soon as 2013, re-propose its vacated Cross State Air Pollution Rule and address its reconsideration of its utility maximum achievable control technology (MACT) for new facilities. "The House went after their agenda and voters sided with Obama so EPA will feel very confident moving forward."

Environmentalists, meanwhile, are calling on EPA to finalize a number of rules between now and the inauguration. These include the power plant NSPS, which was proposed last April; a reconsidered package addressing emissions from various combustion processes, including a MACT for boilers, a toxics standard for incinerators and a definition of waste material rule proposed last December; a cement plant MACT proposed in June; and a tighter NAAQS for particulate matter, also proposed in June and facing a Dec. 31 legal deadline. They also want EPA to propose the Tier III standard which was delayed this spring due to concerns about its impact on rising gas prices.

An industry source closely following the boiler MACT package does not expect EPA to finalize it this month, noting that interagency review has re-started, but does think it will be out before a Dec. 21 legal deadline for the related cement rule. "The key is that at one point we thought the rule would be released right away but that doesn't look like that's the case."

One Democratic-aligned source says once the stalled rules are finalized, Obama "would then turn his focus to two big issues -- reducing carbon from existing power plants and addressing the smog/ozone health standard he put off strengthening in 2011."

One environmentalist says an EPA rule to cut GHGs from existing sources assumes particular importance if the pre-election congressional gridlock and partisanship on climate and energy issues persists into next year. The source says there has not been as much work internally at EPA on existing power plant limits, but predicts a ramping up of discussions on proposals from environmentalists and others on flexible options for implementing such standards. Another major agenda items is proposing GHG NSPS for new and existing refineries, these sources note.

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Other actions on the EPA short-term horizon include finalizing its guidance for Clean Water Act jurisdiction and issuing a draft report on the impacts of hydraulic fracturing on drinking water. Speaking on a Nov. 7 webinar hosted by the law firm Bracewell Guiliani, attorney Salo Zelermyer noted that EPA's draft study on whether fracking impacts drinking water is due by the end of the year, while a final report is due in 2014.

If the report comes out with new evidence of impacts on drinking water resources, Zelermyer anticipates "a very heated debate over what regulatory action should flow" from those findings. EPA is also working on air rules for shale gas and potential Toxic Substances Cont Substance Control Act requirements, he added.

The agency is also past its 90-day deadline to approve or reject Florida's numerical water quality criteria for nutrients, which the sate formally submitted in June after a lengthy legal battle.

EPA is also expected to issue a waiver to its Renewable Fuels Standard by as soon as the week of Nov. 12 and to issue new cellulosic volume numbers for 2013 by the end of the month.

Roger Martella, a former Bush-era EPA general counsel who is now an industry attorney, expects Obama's second term agenda will continue to focus on coal, with no new plants being built domestically, along with possible air, water and toxic standards for natural gas, according to a Nov. 6 analysis he provided to Inside EPA.

Martella in the presentation also noted that while the Obama administration has issued and finalized fewer rules than the previous two administrations at the same time point, it has finalized close to 50 more "economically significant" rules than during the first terms of presidents Bush and Clinton. He is tracking at least nine air rules that have an annual cost of at least $100 million.-- Dawn Reeves

News Clips Report

Harsher energy regulations seen in Obama's second term
Sify.com

11/08/2012

LOS ANGELES/SAN FRANCISCO (Reuters) - Energy producers braced for tighter regulation in President Barack Obama's second term, with coal companies expecting more emissions restrictions and drillers anticipating less access to federal land even as his platform promotes energy independence.

Opponents already believe Obama has waged a "war on coal" through the administration's push for stricter regulation of greenhouse gas emissions by the Environmental Protection Agency.

"Four more years of President Obama translates into additional pressure on the coal industry from the EPA and numerous environmental groups," energy investment bank Simmons & Co said in a note to investors on Wednesday.

Analysts at ClearView Energy Partners in Washington expect Obama to "continue prosecuting energy policy through regulation and administrative action, with only the courts as a check on that agenda."

Miners criticize Obama for not living up to a 2008 promise to develop clean coal technology, arguing that his policies actually preclude the construction of any new coal plants.

Shares of U.S. coal companies plunged on Wednesday. Arch Coal

and Alpha Natural Resources ended trade down more than 12 percent, while Peabody Energy closed 9.6 percent lower.

Eric Green, senior managing partner at Penn Capital Management, which owns coal stocks, said the sell-off was "100 percent related to election results.

Alpha Natural Resources Chief Executive Kevin Crutchfield argued that the United States, with the world's largest coal reserves, should use what it has. "We would hope the administration remains true to its campaign promise to support coal as an indispensable part of our nation's energy mix," he said.

Yet up to 33 gigawatts of coal-fired power generation is estimated to be due for retirement - 3 percent of U.S. capacity. While tougher emissions regulation play a part, that change is also driven by cheap natural gas as an alternative power source.

Obama has paid plenty of lip service to natural gas because it burns cleaner than coal, and his approach to the oil and gas industry in general is more nuanced.

He has pledged to cut oil imports in half by 2020 and advocates an "all of the above" approach to developing domestic energy sources. Yet he has also said that he would roll back subsidies for oil companies and reduce U.S. reliance on oil by mandating production of more fuel-efficient vehicles.

"The Obama administration really hasn't helped the oil and gas industry," said Michael Linn, founder and former chief executive of Linn Energy

. "It's going to be a tough four years."

FOOT ON GAS, TAX BREAK THREAT

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More restrictions are expected for companies drilling on federal lands, as well as more rules governing water management and methane emissions. Any new rules related to hydraulic fracturing may drive up costs for active drillers including Chesapeake Energy Corp

and Exxon Mobil Corp .

"You are going to have less access to federal lands and tougher government agencies," said Dan Pickering, chief investment officer at TPH Asset Management, part of energy-focused investment bank Tudor Pickering Holt in Houston.

Obama's solid support for natural gas on the campaign trail won him praise from America's Natural Gas Alliance, a lobby group. But he also wants to eliminate $46 billion in subsidies for fossil fuel companies, a plan producers vigorously oppose.

Virginia Lazenby, chair of the Independent Petroleum Association of America whose members supply 54 percent of U.S. oil and 85 percent of its natural gas, worried about potential "duplicate" federal regulation of what states already do, and rejected the call to collect more tax from the industry.

"IPAA hopes President Obama will stop his call to eliminate the crucial tax provisions of intangible drilling costs and percentage depletion, which are not subsidies at all, but allow independent producers to reinvest 150 percent of their cash flow into new energy projects," she said.

While the Obama administration put approval of TransCanada's

Keystone XL pipeline on hold, eventual approval is expected, which will increase the flow of cheaper crude oil from Canada to refineries on the Gulf Coast at Port Arthur, Texas.

Companies with refineries in Port Arthur or in nearby Beaumont include Valero Energy Corp

, Royal Dutch Shell , France's Total and Exxon.

FORECAST: SUNNY SPELLS, BREEZY

Obama has promised more assistance for solar and wind technology, though he will need congressional support to extend tax breaks that help those industries.

"Obama can love solar as much as he wants, but I don't know that a whole lot more is going to happen in terms of new, constructive policy," said Morningstar analyst Stephen Simko.

Obama's advisers include Energy Secretary Steven Chu, a Nobel Prize-winner with expertise in renewable energy, who regularly talks up the government's role in developing hydraulic fracturing technology. The top White House energy adviser is Heather Zichal, who has been an advocate for green jobs and tackling climate change by reducing dependence on oil.

Obama's green policies had a major setback when solar power company Solyndra collapsed after receiving a $535 million federal loan guarantee. And his energy strategy shifted away from climate change when a bill establishing a cap-and-trade system to curb carbon emissions died in the U.S. Senate in 2010.

Renewable energy also faces obstacles that are not directly related to policy: competition from low-priced natural gas; lack of infrastructure to connect projects to the grid; and a glut of solar panels putting manufacturers out of business. Yet

having Obama back was broadly welcomed by most in the green business.

"The renewable energy industry and solar have retained a really important ally in the White House," said Arno Harris, chief executive of U.S. solar installer Recurrent Energy, a unit of Sharp Corp

. "Solar and renewable energy were so severely attacked during the campaign that the president's win, I think, gives him a mandate in pursuing a clean energy agenda."

CHEMICALS BRACE FOR HIT

Obama is also likely to implement long-delayed emissions regulations for industrial boilers that are commonly used by chemical makers. The centerpiece provision, Boiler MACT (Maximum Achievable Control Technology), was proposed in 2004 but effectively shot down by courts before the EPA revived it in 2011.

It has been winding its way through courts again, and the EPA is due to issue new rules by December.

Obama's victory may embolden EPA Administrator Lisa Jackson to further tighten Boiler MACT regulations next month on limits for dioxin, mercury and carbon monoxide emissions. It is not clear if Jackson will stay at the agency in Obama's second term.

"While we don't agree with some of the provisions (of Boiler MACT), we think that it will be pushed through more readily than if Romney had won," said Lawrence Sloan, president of the Society of Chemical Manufacturers and Affiliates, a trade group.

(Additional reporting by Anna Driver in Houston, Ernest Scheyder in New York, and Krishna N. Das and Swetha Gopinath in Bangalore; Writing by Nichola Groom and Braden Reddall; Editing by Patricia Kranz, Richard Chang, Bernadette Baum and Leslie Gevirtz)

News Clips Report

Harsher energy regulations coming in Obama's second term
Chicago Tribune Collections

11/08/2012

* Tighter rules expected for oil, gas drilling

* Solar, wind likely will get renewed focus

* Chemical producers fear stronger emissions rules

regulation in President Barack Obama's second term, with less access to federal lands and water even as the administration promotes energy independence.

With a pledge to cut oil imports by half by 2020, Obama during the campaign advocated what he called an "all of the above" approach to developing a range of domestic energy sources. He said, however, that he would roll back subsidies for oil companies and reduce the nation's reliance on oil by mandating production of more fuel-efficient vehicles.

"You are going to have less access to federal lands and tougher government agencies," said Dan Pickering, chief investment officer at TPH Asset Management in Houston.

Obama's energy strategy over the last four years has shifted away from focusing on climate change after a bill establishing a cap-and-trade system to curb carbon emissions died in the Senate in 2010 after a bitter partisan fight. The president's green policies also suffered a major setback when solar power company Solyndra collapsed last year after receiving a $535 million loan guarantee, unleashing a political firestorm.

News Clips Report

Obama's team of energy advisers include Energy Secretary Steven Chu, a Nobel prize- w inning scientist who specializes in alternative and renewable energy technologies but who regularly talks up the government's role in developing hydraulic fracturing technology. His top White House energy adviser is Heather Zichal, who has been an advocate for creating green jobs and tackling climate change by reducing dependence on oil.

Obama has pledged more support for development of renewable energy technologies like solar and wind, but he will need the support of Congress to extend or renew tax breaks that have underpinned the growth of those industries.

"Obama can love solar as much as he wants, but I don't know that a whole lot more is going to happen in terms of new, constructive policy," said Morningstar energy analyst Stephen Simko.

Perhaps most importantly, however, renewable energy faces major obstacles unrelated to policy, such as stiff competition from low-priced natural gas, a lack of infrastructure to connect large projects to the grid, and a global glut of solar panels that is putting their manufacturers out of business.

Here are more details on how companies in various energy sectors will fare under President Obama's second term:

HEAT TO RISE ON OIL AND GAS

Obama is expected to tighten rules and regulations governing energy exploration, actions that may add billions in costs for oil and gas companies.

ClearView Energy Partners analysts, in Washington, expect the president to "continue prosecuting energy policy through regulation and administrative action, with only the courts as a check on that agenda," according to a note sent to clients last week.

Tougher restrictions are expected for companies drilling on federal lands as well as more rules governing water management and methane emissions. Any new rules related to hydraulic fracturing may drive up costs for active drillers including Chesapeake Energy Corp and Exxon Mobil Corp.

Still, throughout the campaign and during the debates, Obama has touted the benefits of increasing production of cleaner burning natural gas, winning him praise from America's Natural Gas Alliance, an industry lobby group.

Obama has also pledged to eliminate more than $46 billion in subsidies for fossil fuel companies, a plan the industry has vigorously protested.

While the Obama Administration has put approval of TransCanada's Keystone XL pipeline on hold, eventual approval is expected, an action that will increase the flow of cheaper crude oil from Canada to refineries on the Gulf Coast at Port Arthur, Texas.

Companies with refineries in Port Arthur or in nearby Beaumont include Valero Energy Corp, Shell, France's

News Clips Report

Total and Exxon Mobil Corp.

"WAR ON COAL" - PART II

Obama is deemed by opponents to have waged a "war on coal" over the past four years, particularly through stricter Environmental Protection Agency regulation.

Hal Quinn, president of the National Mining Association, criticized Obama for not living up to a 2008 promise to develop clean coal technology. "Current administration policies virtually preclude the construction of new, cleaner coal-based plants that are the necessary platform for the technology the president advocated," Quinn said. "These same policies have skewed the market against coal."

The U.S. Chamber of Commerce pointed to estimates of up to 33 gigawatts of coal-fired electricity generation due to be retired - about 3 percent of total U.S. power capacity. While tougher regulation has played a part, cheap natural gas as an alternative power source is also driving that change.

CHEMICALS BRACE FOR HIT

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"While we don't agree with some of the provisions (of Boiler MACT), we think that it will be pushed through more readily than if Romney had won," said Lawrence Sloan, president of the Society of Chemical Manufacturers and Affiliates, an industry trade group.

News Clips Report

Obama could put heat on drillers but stall gas exports
Chicago Tribune Collections

11/08/2012

* Tough decisions on gas and oil exports will probably

languish

* Carbon tax unlikely despite Superstorm Sandy

* EPA studies may offer clues on natural gas rules

WASHINGTON, Nov 7 (Reuters) - Barack Obama could toughen regulations on producing and burning natural gas, coal and oil early in his second term, raising some costs for energy companies, analysts said.

The president likely will take far longer to decide whether the United States should export its newfound shale oil and gas bounty. Opponents warn that exports would spike fuel costs for consumers and undermine a domestic manufacturing recovery.

Obama slowed regulation of fossil fuels during his campaign against Republican challenger Mitt Romney, who ran on expanding drilling and letting states dominate oil and gas regulation.

Obama streamlined regulation on drilling for natural gas from shale and delayed finalizing rules on mercury emissions from power plants. The light touch may have helped the president gain support from voters anxious about jobs in gas-rich Pennsylvania and Ohio.

Now that the election is over, regulations proposed and studies undertaken by Obama's agencies will return to the forefront.

And environmental groups are increasingly lobbying centrist Democrats like Obama to tighten regulations on hydraulic fracturing - known as fracking - as efforts on pushing Congress to fight climate change wither.

"It's going to be a rougher second term for oil and gas given the way the environmental debate is going and the diminished incentive Obama has to protect oil and gas after his last election is behind him," said Robert McNally, a former White House energy adviser during the George W. Bush administration who now heads the Rapidan Group, a consulting firm.

EXPORT DELAYS

The Obama administration this year also delayed decisions on exporting vast new natural gas finds to countries besides those with which it has free-trade agreements. Skeptics on exports including Senator Ron Wyden, a Democrat in line to head the chamber's energy committee, have raised concerns about diverting fuel that could be used to support domestic manufacturing and raising prices in the process.

The Energy Department this year delayed a study on the economic effects of gas exports. But even if the study eventually projects limited effects, allowing the shipments would be a difficult decision for any president.

"Are we about supporting domestic industries, about the energy industry or about just low energy prices for American citizens?" said Sarah Emerson, the head of Energy Security Analysis Inc, in Boston, describing the difficulties of the decision. "I'm not convinced either Obama or Romney would do anything on any of this."

The lack of clarity means the United States faces huge questions about what fuels it will use to power its future as it inches toward greater energy independence.

During Obama's first four years, the United States unseated Russia as the world's top natural gas producer, and oil output last month hit a 17-year high. The gains were because of advances in fracking and horizontal drilling - not policy decisions.

Until decisions on exports are made, it could make investors hesitant to sink money into renewable energy or even know which fossil fuel to favor.

"We have regulations for safety and clean air, but we've never really had a concerted, careful and coherent energy policy, and I don't really see us developing one," Emerson said.

SLIM CHANCE FOR CLIMATE TAX

With many scientists blaming climate change for fueling stronger weather events like the deadly Superstorm Sandy, calls have risen for Congress to pass a carbon tax.

But such efforts face an uphill battle. Many Republicans would reject supporting anything resembling a tax. It could put an unfair burden on the poor and raise fuel prices for consumers weary of two years of high gasoline costs.

"Sounds great, but there are many issues with a carbon tax," said Whitney Stanco, an energy policy analyst at the Washington Research Group, in a note to clients. Washington Research advises institutional investors.

Until the U.S. economy significantly recovers, major climate legislation is unlikely to pass, especially after Republicans retained control of the House of Representatives.

As a result, the Environmental Protection Agency will likely move forward on regulating greenhouse gases, Stanco said.

CLUES TO FUTURE GAS RULES

The EPA is expected to release soon two fracking reports that could provide clues to how the Obama administration will treat natural gas drilling over the next four years. The agency is expected to finalize a report issued late last year that said fracking polluted water supplies in Wyoming.

The agency has insisted Wyoming's unique geological formations make it difficult, if not impossible, to assume that the sort of pollution that happened there could occur in other regions of the country. But if the final report confirms the initial results, gas investors may watch headlines closer than the details, Rapidan's McNally said.

In addition, the EPA is set to release initial results of a study on fracking's effects on groundwater supplies. And the

News Clips Report

Department of the Interior is expected to finalize draft rules later this year on fracking on public lands. The administration hopes these could be used as a template for rules on state lands.

News Clips Report

State, Not Federal Legislation Likely to Impact Frac Sand Market
Rock Products - Online

11/08/2012

The Washington D.C.-based law firm of Patton Boggs notes in its just-published U.S. post-election analysis that one issue likely to garner much more attention during the next four years will be hydraulic fracturing.

"In the next few years, we continue to anticipate that the bulk of hydraulic fracturing legislative and regulatory issues will arise at the state level rather than in Washington, D.C.," the analysis states. "With concerns growing about whether water shortages are being exacerbated by the volume of water consumed in hydraulic fracturing operations, the industry faces additional regulatory and legislative risks at the state level that go beyond chemical disclosure. In addition, 12 states have already proposed or are implementing new oil and gas tax or fee production policies to help close state budget gaps and incentivize energy development in sometimes hesitant communities. The industry is likely to continue to face increased taxes and fees as states continue to look for ways to address the infrastructure costs of large-scale energy development, including road repair in particular.

"With the support of the industry, bills were introduced in the 112th Congress in both the Senate and the House to confirm that states have the sole authority to regulate hydraulic fracturing operations on federal lands within their borders. The so-called FRESH Act (Fracturing Regulations are Effective in State Hands Act) will not become law in the lame duck session. Similarly, we do not anticipate any legislative action by Congress on the FRAC Act. Barring some fundamental galvanizing event, we doubt either bill will go anywhere next year either. In the near term, to the extent the federal government has any direct impact on hydraulic operations, it will be driven by regulatory action and potentially oversight hearings in the House.

"Late last year, EPA finally released its 'study plan' for the major study Congress asked it to undertake in 2009. EPA is evaluating the full lifecycle of water used in hydraulic fracturing operations, from water acquisition through to the mixing of chemicals to conducting fracturing and post-fracturing activities, including the management, treatment, and disposal of flow-back water. Initial research results and study findings are projected to be released to the public later this year; the final report will not be issued until at least 2014. Until the final report is issued, we do not expect any federal legislation to emerge that could clear the House and the Senate.

"Separately, the Department of Interior through the Bureau of Land Management has been engaged in a lengthy rulemaking to govern hydraulic fracturing operations on federal and tribal lands. Public comments were accepted by BLM through September 10 in order "to facilitate greater input from the public and key stakeholders, including industry and public health groups." Some tribal leaders and Wyoming Governor Matt Mead (R) had questioned BLM's procedural transparency and policy substance, the latter noting his concern that 'the proposed rules will duplicate and possibly be sequential to Wyoming's rules.'

"The rule includes requirements that companies disclose non-proprietary chemicals used in hydraulic fracturing activities, implement new well design standards, and require new safety certification standards -- including a requirement that producers 'certify' that they are not endangering local water supplies through their hydraulic fracturing operations. The rule 'would require operators to certify in writing that they have complied with all applicable Federal, tribal, state, and local laws, rules, and regulations pertaining to proposed stimulation fluids' and would further 'require the operator to certify that it has complied with all necessary permit and notice requirements.'"

News Clips Report

The Generation (And Other) Gaps
Financial Advisor - Online

11/08/2012

Financial advisors must keep many demographic trends in mind to stay ahead.

Kendra thompson has a message for advisors: You may have gotten comfortable with your boomer clients, but get ready for some big changes when their children inherit the wealth.

Thompson, a consultant in Accenture's Wealth and Asset Management practice, authored a report titled The 'Greater' Wealth Transfer: Capitalizing on the Intergenerational Shift in Wealth. She estimates that between 2031 and 2045, 10% of U.S. wealth will change hands every five years, as baby boomers' assets shift to their children. Thompson's report puts the value of that exchange at a whopping $30 trillion.

Although the greatest impact of that transfer is still several years down the road, Thompson recommends that advisors begin to discuss wealth transfer plans with boomer clients immediately. That's not only a fiduciary best practice, but it can also ensure that assets remain with the advisor after the transfer takes place. For younger advisors in particular, it's crucial to identify Generation X clients and learn how their expectations may differ from those of their boomer parents.

Thompson says the attitude changes are already visible. Because younger generations are more comfortable using technology and assimilating various information sources to direct their own investments, advisors' value propositions have to change.

"That doesn't mean [this generation] doesn't expect advice, or that they don't value advice," she explains. "But the way we justify [the advice] needs to make sense to that group of people. Don't take it for granted that just because you have a business card or an office you can visit that they should be taking advice from you."

She says advisors should understand that younger clients are more open to virtual sources of information. Embracing that intergenerational shift, rather than fighting it, would behoove the industry.

Ramesh Gulati is chief investment officer at Gulati Asset Management, which has offices in Providence, R.I., and Vero Beach, Fla. His observations bear out Thompson's findings about the changing attitudes among Generation X investors.

He believes the cycle of extreme booms and busts in the housing and equity markets over the past 15 years, coupled with a spate of financial-industry scandals, scared much of the under-50 demographic away from the market. However, Gulati says there are ways to chip away at their resistance.

"I find that if you just deal with the parents, when they die and pass the money on, you may lose that client because you don't have a relationship with the children. You want to do multigenerational financial planning, so when that money passes to the next generation, it doesn't leave you. It's better to include the children so they know you, trust you, are comfortable with you, and first and foremost, they know you aren't taking advantage of their widowed mother or father," he says.

Jeanie Wyatt, CEO and chief investment officer at South Texas Money Management, with offices in San Antonio, Houston, Austin and Dallas, also sees a growing role for multigenerational planning. "It will make our business more complex, but also more successful, if we are able to incorporate and include the next generation or generations," she says. "In more cases than not, our clients like that. There's always a demand for privacy that you absolutely have to respect, but there's a keen desire for their heirs to be educated and informed so that they are prepared to carry the ball with those assets in the future."

In Durham, N.C., financial advisor Jennifer Lazarus tends to attract a younger clientele to her practice. She does not manage assets, but specializes in directing clients toward socially responsible investments. Most of her clients are in their 30s and 40s. That age group is not just focused on far-off retirement goals; they also want to be deliberate in how they employ financial resources in the present.

"People have heard the message of, 'You've got to save for retirement,'" Lazarus says. "But a pretty common theme is that it's not all about retirement. There is a lot of intentionality of how they want to be using their money now, but it's not all about the future."

Part of that shift, she believes, may be due to Generation X's expectation that they will be working beyond age 65. Lazarus often finds herself in the role of career coach, discussing with younger clients whether they enjoy their work. If they don't, she recommends that they seek something more fulfilling.

"That's a very different discussion," she says, "than you'd have with someone who is 58, and coming in to see if they can retire at 62, as they've always planned. In that situation, the discussion becomes: Are the numbers going to work?"

Advisors are also seeing changes when it comes to the role of women as investors. Many women find themselves managing their own or their families' money, since they tend to outlive their husbands or they may have gone through a divorce (though overall divorce rates in the U.S. have been dropping).

Gulati's client base includes both older and younger women. He finds that older women are educating themselves about ways to generate current income, keep expenses down and leave an inheritance for their heirs. Working-age women, meanwhile, are frequently tasked with care for elderly parents, as well as their own children. With female clients, Gulati says it's often necessary to take a different approach from the ones that have traditionally worked with men.

"The biggest thing is: Women want to know they can trust their advisor," he says. "They want to know: Do you understand me? What my fears are, what my concerns are, what I need to get done? And can you help me do that?"

In Albuquerque, N.M., Lee Munson, chief investment officer at Portfolio LLC, shares the view that advisors should focus more on the women's market. "Depending on what study you use, we now see 51% or more of the wealth in America controlled in some way, shape or form by women," Munson says. "This should come as no surprise, not only because women live longer than men, but they've also been coming up in the corporate ranks, albeit slowly. And when people get divorced, women get a chunk of money every time that happens, in most cases."

Munson says it's important to reconsider how advisors will connect with these women. "We've had a graying of this profession," he says. "Registered investment advisors, stockbrokers, people in the investment services industry. More than half are in their 50s or 60s or older. Stereotypically, it's accurate to say they are old, white men. In the past, their clients were other white guys. Now, more and more women are seeking financial advice, and find they are meeting up with their ex-husband's former stockbroker, who now calls himself an investment advisor—or a newly minted certified financial planner."

Munson's research has shown that many women are dissatisfied with the financial services options they are finding. One problem is that male advisors tend to be more interested in investing, and less attuned to developing comprehensive financial plans, which women are often looking for. To attract more female clients, he says, "The industry needs to stop basing client relationships on stock picks—should I buy Facebook or not—and base them on goals, objectives to be accomplished. It's difficult for a lot of men to learn how to talk to women about the financial landscape. Advisors have to admit there's a new facet they have to learn, and it's often challenging, but a lot of these guys don't want to do that."

News Clips Report

The Hispanic market is another rapidly growing market that many advisors are not addressing. The Hispanic population in the U.S. is currently 52 million, according to U.S. Census data. That's 16.7% of the population. By 2050, it's predicted that Hispanics will constitute more than 30% of the U.S. population.

Louis Barajas, who runs Louis Barajas Wealth Planning in Santa Fe Springs, Calif., focuses on the Hispanic market. He finds that most Hispanics tend to invest in real estate, rather than traditional retirement plans. "That's a huge issue, and the financial planning industry can help Hispanics not only save money, but also learn how to invest it. But there are not a lot of people reaching out to this community, because there's the illusion that there are not enough people with money."

Barajas chose to leave a more traditional firm 21 years ago to develop a practice serving Hispanics. "The industry needs to understand that even if people in these communities don't make a lot of money right now, they can work with an advisor over the years to change the wealth of a family, the security of a family. My clients are willing to invest in financial planning, because it's a matter of priority for their families."

He also sees a need for younger Hispanics to become advisors, although he finds that new graduates are often unaware that it's even a career choice. "If the industry allows young kids of color to intern at their practices, it would be a huge first step," he says. Career-outreach events at schools would also help, he believes.

Kathy Shultz faces some related issues at her Beaverton, Ore., practice, Shultz Financial Planning, which focuses on recent immigrants and their families. Shultz herself emigrated from China, and understands that people from other cultures often view the path to financial security differently.

"The needs are the same, in terms of planning for retirement or for children's education," she says. "But there are some particular needs that are not addressed, that advisors are not aware of." For example, many new immigrants prefer whole life policies to term life. Although Shultz takes pains to explain that term would be, in many cases, more appropriate, her clients have frequently opted for whole life because they believe the savings component offers more security.

She says education is important to new immigrants, but they face language barriers. She has enjoyed success with Chinese-language seminars, but recommends that English-speaking advisors spend more time in one-on-one meetings with clients who may be relatively new to this country.

Many advisors might also be unfamiliar with cross-border financial planning. Most of Shultz's first-generation clients have assets in their home countries, such as real estate or business investments. "If advisors in this industry want to tap into the minorities market, they need to be prepared to plan across the borders. They will need to learn what investments clients have back home, and why," she says. She points out that the industry is beginning to wake up to this reality, and institutions such as the Financial Planning Standards Board are offering CFP cross-border certification programs.

Randall Eley, president and chief investment officer at the Edgar Lomax Company in Springfield, Va., also sees opportunity for the advisory industry in underserved markets. Eley has been a keynote speaker and conference sponsor for the Association of African American Financial Advisors. He doesn't yet see a big change in asset-management opportunity in minority communities, but believes that will change over time. "Education appears to be more available to Hispanics and African-Americans today than 30 or 40 years ago, so income ought to come behind that," he says. "Saving and investing those funds should come, too. So looking out over the horizon 20 or 30 years from now, I see money following the population." He notes that this is an opinion based on anecdotal observation, not statistical forecasts.

One change he sees already under way pertains to fiduciaries at public-sector and union pension funds, as well as employer-sponsored retirement plans at large corporations. "They serve markets where they have many customers and large streams of revenue coming from minority communities, as well as other communities," he says. "As a part of their public relations and marketing programs, they will tend to look for vendors, including among financial services firms, from those communities. Over the last 20 or 25 years, we have seen some positive developments. Not as rapid growth as some of us would like to see, but trustees are coming to realize that business should not be given to firms that are already the biggest firms."

While it's clear that there is plenty of opportunity ahead for the financial services industry as a result of ongoing demographic shifts, it's equally clear that many practitioners will miss out if they don't change their mind set. As Kathy Shultz says, "Things are changing so much now, but it's not in the comfort zone of many advisors. If they can branch out of their zones and reach new people, it may change the industry."

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News Clips Report

Majority Of Gens X And Y Expect To Retire Before 65
Financial Advisor - Online

11/08/2012

Put it down to confidence or misplaced optimism, but among people more than 10 years away from retirement a majority of both Gen Xers and Gen Yers expect to retire before age 65, while only a minority of young baby boomers believe they'll be able to call it a day before 65, according to a broad survey by Aite Group.

Specifically, 57% of Gen Y respondents and 51% of Gen Xers said they expect to stop working before they reach the traditional retirement age. The study defines Gen Y as those age 21 to 31 and starting their asset accumulation stage, while Gen X is defined as ages 32 to 46 and engaged in asset accumulation. Among younger boomers, who are defined as those age 47 to 57, only 31% said they'll be able to quit working before 65.

Elsewhere in the survey, Retirement Income and Investor Types: Pre-Retiree and Retiree Differences, the Boston-based research group found that 86% of pre-retirees more than 10 years from retirement had less than $250,000 in investable assets (excluding employer-sponsored retirement plans). Among pre-retirees 10 years or less from retirement, 75% have less than $250,000 in investable assets. And among retirees, which were the third cohort included in the report, 66% said they had less than $250,000.

The upshot is that many investors are clueless about how much money they'll need to pay for retirement. "Overall, these numbers and expectations speak to the industry's greater need to educate and provide real-world context to these investors' imagined expectations," the report said.

Regarding the primary type of investment firm used by the three groups, for pre-retirees more than 10 years from retirement, the top three choices were the investment division of a retail bank (31%), online brokerages (27%) and large brokerage firms (25%).

For pre-retirees 10 years or less from retirement, the top three choices were online brokerages (26%), the investment division of a retail bank (26%) and large brokerage firms (23%). Retirees' top three choices were online brokerages (36%), large brokerage firms (28%) and insurance firms (10%).

Aite surveyed 1,014 investors who had at least $25,000 in investable assets, excluding employer-sponsored plans.

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News Clips Report

Advisor Emporium
Financial Advisor - Online

11/08/2012

LPL Financial Expands Model Wealth Portfolios Platform

LPL Financial has expanded its Model Wealth Portfolios (MWP) platform with two new offerings from LPL Financial Research and two managed alternative investment portfolios from Fortigent.

The new offerings from LPL Financial Research are the Quad-Core Balanced and Quad-Core Income portfolios. Quad Core is LPL's four-pronged methodology intended to provide a more diversified approach to portfolio management. The new income portfolio seeks to replicate or beat the performance of core bonds while generating more income, and the balanced portfolio seeks returns from a traditional 60/40 stock-bond mix with little or no sensitivity to rising interest rates.

The two portfolios from Fortigent—Alternative Strategies and Alternative Strategies Enhanced—aim to capture the performance of traditional equity/fixed-income portfolios but with lower volatility, reduced potential for loss of capital and lower correlation with other asset classes.

"The expansion of the MWP platform to include two new portfolios from LPL Financial Research, along with two alternative investment strategies from Fortigent, gives our advisors the tools to address an even wider range of client needs while accessing the diversification and risk-management benefits that come from non-correlated alternative strategies," says John Moninger, LPL Financial executive vice president of advisory and brokerage consulting services.

MFS Launches Equity Income Fund

Boston-based MFS Investment Management has launched MFS Equity Income Fund. The fund seeks to generate total return through current income and capital appreciation.

"With historically low rates on fixed-income securities and bank products—and with investors' concerns over inflation—income-producing equities take on an increasingly important role in a portfolio seeking to keep pace with or exceed inflation," says William Finnegan, senior managing director and head of Global Retail Marketing for MFS.

The majority of the fund's assets are invested in dividend-paying common stocks, but may also be invested in convertible securities and preferred stocks and REITs.

Phoenix Companies Launch eApp

Phoenix Companies' new digital platform, eApp, allows advisors to instantly submit annuity application forms through a secure Web portal. The platform offers accuracy controls to help ensure forms are filled out correctly by highlighting any fields that are not completed. The tablet-compatible application also pre-fills many required data fields based on information entered when an advisor initially meets with clients to discuss their needs and product costs.

To learn more about eApp, visit www.phoenixwm.com.

J.P. Morgan Introduces Re-enrollment Analyzer Tool

J.P. Morgan is offering a tool that shows 401(k) plan advisors, sponsors and participants how choosing target-date funds or other investment options affects the amount participants may accumulate for retirement. The Re-enrollment Analyzer tool can help plan sponsors increase participation rates when they make changes to their 401(k) plan.

“The customized analysis can be a powerful demonstration of the rationale for conducting a re-enrollment, encouraging improved asset allocation and ultimately, better retirement outcomes for participants,” says John Galateria, head of defined contribution investment solutions at J.P. Morgan Asset Management.

Genworth Expands Mastery Program Workshop Pleasant Hill, Calif.-based

Genworth Financial Wealth Management has expanded its mastery workshops and overall practice management services for independent financial advisors who use the company’s investment platform. The changes aim to help advisors deepen their client relationships and develop their practices into more efficient businesses.

The two-day mastery workshops, which are held in a variety of cities throughout the year, go beyond the fundamentals of practice management and provide access to consultants who can help advisors implement what they learn in the mastery classes, explains Matt Matrisian, the company’s vice president and director of practice management.

Taylor Xplor Managed Futures Strategy Fund

Taylor Alternative Mutual Funds has launched the Taylor Xplor Managed Futures Strategy Fund. The new fund is intended to complement a traditional equity and bond portfolio by seeking to offer low correlation to markets, diversification across asset classes, and reduced portfolio risk in down markets. Taylor Xplor was developed for registered investment advisors interested in

attractive risk-adjusted returns.

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News Clips Report

Inquiring Clients Want To Know About Annuities
Financial Advisor - Online

11/08/2012

Annuities are the most unsolicited products requested by clients, according to Cerulli Associates. In a recent report on the annuities and insurance industry, the Boston-based research firm said the media's increased focus on annuities—both the positive and negative aspects of these products—has raised awareness among investors. Senior analyst Donnie Ethier said Cerulli found a 15% year-over-year increase in the number of times financial advisors receive requests from their clients for annuities.

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News Clips Report

Whitney, Yardeni Offer Their Views On The Markets
Financial Advisor - Online

11/08/2012

Two well-known economic commentators—former Merrill Lynch chief investment strategist Richard Bernstein and economist Ed Yardeni—provided relatively positive outlook for the U.S. economy and equity markets before more than 300 attendees at the 2nd Annual Fiduciary Gatekeeper Research Manager Summit.

The conference, sponsored by Financial Advisor and Private Wealth magazines, was held October 11-12 in Boston and also featured keynoters Meredith Whitney, chief executive officer of the Meredith Whitney Advisory Group; James Grant, founder and editor of Grant's Interest Rate Observer; and Peter Schiff, CEO of Euro Pacific Capital. The summit is designed to give research and investment managers a chance to meet in small groups with portfolio managers, who discuss and answer questions about their strategies.

Bernstein, who was named top investment strategist by Institutional Investor 10 times and now is CEO of Richard Bernstein Advisors, told the crowd that he believes the U.S. equity markets are in the early stages of a bull market that could surpass the greatest bull market of his lifetime, the 1982–1999 market.

In outlining his contrarian scenario in detail, Bernstein said that bull markets are often conceived in periods of widespread fear. Bernstein recalled that from 1982 through 1987 the issues spooking investors bore an eerie similarity to the present moment.

Chief concerns in the early 1980s included shrinking corporate profit margins, entitlements and federal budget deficits, which were setting all-time records. A runaway Fed under Paul Volcker was raising interest rates to unprecedented levels and acting completely on its own will. Even if its objective, squashing inflation, was very different from that of today's Fed, its controversial behavior was not very different. In 1985 and 1986, everyone fretted about a "growth recession" when GDP expanded at an anemic rate fluctuating between 0% and 2%.

Today, federal and state debt dominates the national conversation. Yet Bernstein noted that total debt, including household, corporate and other private debt, is falling at the fastest rate in history.

With the S&P 500 up more than 100% from its March 2009 low of 666, many people are asking if the bull market is over. Bernstein cited the absence of three classic bear market signals—yield curve inversion, extreme overenthusiastic sentiment, and lofty valuation—as evidence the bull market is young. He guesses that "we are in the third inning."

Yardeni, who is president of Ed Yardeni Research, said the U.S. economy could surprise investors with more strength than they expect in this year's fourth quarter.

It was clever of Federal Reserve Board chairman Ben Bernanke to target mortgage-backed securities purchases with QE3 just when the housing market is beginning to turn around, Yardeni added. When it does, Bernanke "can take credit for it," he said. "The markets do very well when Bernanke gives us more drugs."

However, he added that he viewed QE2 largely as a failure. Although it contributed to an increase in equity prices, it also drove up food and energy costs, resulting in a reduction in real disposable income for many Americans.

Grant said the Fed's efforts to keep interest rates artificially low were a "large-scale experiment of price controls" and would lead to Bernanke's undoing. Grant predicted that the current "yield famine" will end eventually and insurance companies will be able to prosper once again. When bond prices are permitted to fall and return to market levels, insurers and other companies that run their businesses by matching assets and liabilities will no longer have to wrestle with their current conundrum.

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News Clips Report

Advisor Matchmaker
Financial Advisor - Online

11/08/2012

Borrowing a page from Match.com and other online dating services, InvestorClarity.org in June launched an online, algorithms-based matchmaking service it hopes will become the go-to site for investors searching for the right financial advisor, and vice versa.

Shelley Hackler, 39, founder of the York, Pa.-based company, says InvestorClarity has built a database containing roughly 300,000 advisors using information available from Finra and the SEC. In addition, it provides what she calls premium profiles that let advisors provide additional information about themselves—such as specialty client groups serviced, community activities and personal interests—to help them stand out from the crowd and hopefully improve the odds of attracting the ideal client type.

Investors can search for advisors using 11 different search criteria including geographic area, investment specialties, years of experience, fee structure and the advisor's minimum investment amount. InvestorClarity's algorithm process takes that data and creates a list of advisors who most closely correspond to an investor's chosen criteria and who are, presumably, better suited for a long-term business relationship.

InvestorClarity's algorithms were developed by computer science professors at nearby York College. Various online dating services use matching algorithms to help people find a significant other.

Some academics who've studied this topic pooh-pooh the effectiveness of those systems. But Hackler believes her new site offers an edge over existing online advisor search competitors by producing custom search results rather than just spitting out a directory list of names. "People today, particularly the millennial generation (i.e., Gen Y) want things fully customized," says Hackler, something she learned at a previous job as the national director of research and planning for Aramark, a global professional services company.

Hackler says the idea for InvestorClarity came during a conversation with her husband, a wirehouse financial advisor. She says they were talking about work and about matching people, and it occurred to her that the advisor field is a fertile place to provide customizable searches to help investors find financial advisors.

InvestorClarity faces no shortage of existing competition. Wirehouse firms, major broker-dealers, industry trade groups and the CFP Board of Standards all have online sites to connect the public to their membership bases or, in the CFP Board's case, its licensees. Other outfits such as the Paladin Registry, WiserAdvisor.com, BrightScope and ClaroConnect offer online search capabilities to help connect investors and advisors. WiserAdvisor, for one, says it employs a proprietary algorithm to match advisors based on an investor's specific needs.

Hackler, however, thinks some of the competing sites are biased toward advisors with certain memberships or credentials, and says her site is agnostic about both designations and channels. "The FPA has a great site, but it's biased because it lists only its members," she says.

The FPA makes no apologies for that. "Our members meet certain criteria such as holding the CFP designation, having no ethics violations and adhering to a standard of care," says FPA spokeswoman Lynn Brackpool. "If that's biased, then we'll take it."

Hackler posits that some other advisor search sites give preferential listing to advisors who pay for better placement in searches. She says InvestorClarity doesn't charge advisors anything to use the site, or to add material for a premium profile. Roughly 230 advisors had created premium profiles as of early October, she says.

Hackler speaks with missionary zeal about her new company. “Our goal is to build the best search mechanism for both advisors and investors,” she says.

The site gets a couple of hundred hits a day, Hackler says. But the company doesn’t know how many matches have been made yet, and one of its goals is to eventually develop a metric to gauge its success rate.

For now, InvestorClarity seems to be following the proverbial “build it and they will come” philosophy. It’s not making money yet because the site is free for all users and the site is not doing any advertising. Hackler believes it will take at least a year to build a premier site with name recognition, and after that’s achieved the company might charge a fee for posting a premium profile or welcome advertising—ideal candidates would be financial services firms that aren’t in the advisory business.

But the online advisor search business is a tough place to make a buck, says Mike Alfred, CEO of BrightScope, a San Diego-based investment research firm and provider of retirement plan ratings. BrightScope rolled out its own online advisor search service in April 2011. “The key thing with all of these dvisor search] firms is that nobody has been able to get consumer mind share because more than 90% of all advisor selections happen through referrals,” he says.

BrightScope aggregates publicly available information about advisors and makes it searchable, but doesn’t provide matchmaking services. Alfred says his firm’s advisor search service isn’t profitable and won’t be in the near future. But he views it as a long-term opportunity, and BrightScope recently raised $3 million to improve its product.

“We think in five to 10 years the average consumer will know to search the Web first, but the majority aren’t doing it now,” he says.

—Jeff Schlegel

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News Clips Report

Chemical Solutions
Financial Advisor - Online

11/08/2012

Safer chemical management strategies can help prevent toxic financial fallout.

No one knows how many of the 84,000-plus chemicals used in the U.S. are lurking in the goods we purchase, or how safe they are. Federal law hasn't required most of them to be tested or many to even be publicly identified. But the onus is quickly growing for producers and retailers of consumer products to find some answers.

Strengthening legislation in various states and around the globe—plus increasing litigation—is making it important for these companies to monitor, report and replace or reformulate toxic chemicals. "I think companies owe it to themselves and their investors to know the chemical risks in their products and supply chains and work to eliminate them," says Richard Liroff, executive director of the Investor Environmental Health Network (IEHN) in Falls Church, Va. Its members, who collectively manage $30 billion to $35 billion in assets, encourage companies to adopt policies that reduce and eliminate toxic chemicals from their products and activities.

The toughest law is the European Union's REACH regulation, which controls the registration, evaluation and authorization of chemicals. Now being phased in, it requires companies to meet certain obligations if they use chemicals from a REACH watch list. Called "substances of very high concern" as defined in the regulation, they include things that are carcinogenic, mutagenic or toxic to reproduction.

Under a consumer "right to know" provision, companies must respond within 45 days to customer inquiries about these chemicals in products or packaging. "If you're invested in a company marketing in Europe, you need to be very concerned about REACH," says Liroff, "because REACH will over time generate a list of chemicals that cannot be marketed."

REACH-like regulations are also being prepared in emerging countries such as China and India, though they aren't as stringent, says Amandine Marques, a Paris-based environmental, social and governance (ESG) analyst with MSCI Inc.

Meanwhile, individual states in the U.S. are taking action, in the absence of updates to the Toxic Substances Control Act of 1976 (TSCA). They've passed more than 80 chemical safety laws over the past nine years, and nearly 30 states are considering toxic chemicals legislation in 2012, according to Safer States, a network of environmental health coalitions and organizations.

Companies also face negative publicity and legal risk as consumers press harder for safer ingredients in personal and household items. Case in point, says Liroff, is Sigg Switzerland USA, the U.S. distributor of Swiss-made Sigg aluminum bottles. Company sales plummeted after trace amounts of Bisphenol A (BPA), an endocrine-disrupting chemical that mimics estrogen, were found in the plastic linings of supposedly BPA-free bottles. It filed for Chapter 11 bankruptcy last year.

What about the U.S. Food and Drug Administration's March rejection of a petition calling for the ban of BPA in food packaging? "At least in terms of what moves markets, by this point the FDA is largely irrelevant," says Liroff, who notes there are major efforts to move away from BPA.

In another high-profile case, the maker of the popular Brazilian Blowout hair-straightening product line agreed in March to settle a class-action lawsuit for about $4.5 million, the New York Times reported. GIB LLC, which marketed these products as formaldehyde-free even though some emit a gas form of this known carcinogen, separately agreed to a

$600,000 settlement with California's attorney general for deceptive advertising. It must now include warning labels on its products.

You may also recall U.S. toymaker RC2, which faced $17.6 million in recall costs in 2007 and settled a class-action lawsuit for $30 million in 2008 after lead paint was found in its wooden railway toys. The company was purchased last year by Japanese toymaker Tomy Co.

Marques expects consumer awareness of unsafe chemicals to expand as information is easier to access through product rankings and reviews (from GoodGuide, Campaign for Safe Cosmetics, etc.) and awareness campaigns from Greenpeace and other NGOs.

Liroff also notes that portable X-ray fluorescence (XRF) devices are making it easier to detect chemicals in some products.

Put On Your Safety Goggles

So what's the best way to navigate chemical hazards?

"Understanding how the various regulations work is key to identifying where the risks and opportunities are," says Marques, a frequent speaker on the topic. "Potential upside can be large for a company that would find a safer and economically viable alternative to [the preservatives] parabens, for instance."

It's also important to pay attention to the SIN List (which stands for "Substitute It Now!"), developed by the International Chemical Secretariat (ChemSec) using REACH guidelines. The list now includes 378 substances that can cause cancer, alter DNA, damage reproductive systems, harm the environment or cause other problems—in essence giving companies advance notice about the chemicals likely to be most restricted by the EU, says Liroff.

MSCI ESG Research, with help from scientists and toxicologists, used the SIN List to assess how 16 major business segments might run into trouble with these chemicals. Household chemicals, plastics and rubber (in toys) and textiles and clothing are products at the highest risk, given the number of substances in them that could be regulated by REACH.

Marques expects that companies will see profit margins cut over the next three to seven years as they are increasingly forced to provide more evidence of chemical compliance and safety. But those that proactively anticipate regulatory changes should be able to absorb reformulation costs over a longer time period or be in a better position to find suppliers who can offer safer alternatives in the volumes needed, she says.

Marks & Spencer Group PLC, a major U.K.-based retailer, is among the leaders she has identified. M&S, which gets 100% of its revenues from private-label products, has removed polyvinyl chloride (PVC) and phthalates from all its children's clothing, removed PVC from all its packaging and placed restrictions on other chemicals such as BPA.

Retailers usually have a hard time monitoring the compliance of private labels because they do not own the formulas or make the products, but M&S has worked with suppliers to encourage innovations in green chemistry, says Marques.

The Clorox Co., maker of household and lifestyle products, is another leader identified by Marques. It discloses most of its ingredients and has a transparent chemical phaseout strategy that includes a complete, global ban of parabens, phthalates and phosphates. The company is also involved in various industry and governmental groups on green chemistry.

Other companies MSCI has classified as proactive innovators are Apple, Dell, Nike, Adidas AG, L'Oréal SA, Gap and Hennes & Mauritz AB (H&M). "Asset managers tend to concentrate on identifying the innovators, but we think they should also be concerned by the laggards," says Marques. MSCI has found that companies with large, complex portfolios—including Target, Carrefour SA, Procter & Gamble and Henkel AG—are likelier to take a more reactionary approach.

Marques thinks there are a couple of reasons that P&G has removed substances banned in the EU only from the products it sells there. First, household and personal products may look the same in different markets but are developed, designed and manufactured locally with formulas altered according to local consumer taste and other factors such as water hardness. Second, safer alternatives to chemicals banned in the EU may not yet be available in large volumes or at a reasonable price in other markets.

In general, Marques hopes to see better disclosure of chemical management. "Companies are disclosing more and more information in this area, yet the overall level of transparency remains poor," she says.

Liroff thinks U.S. retailers should study the chemical management initiatives being taken by such European-based retailers as M&S, H&M and Alliance Boots, a pharmacy-led health and beauty group. What happens in Europe can come here, and companies entering Europe must be able to compete against the likes of them, he says.

Smaller companies can collaborate through industry coalitions to better manage their supply chains, say Liroff and Joel Tickner, director of the Lowell Center for Sustainable Production at the University of Massachusetts Lowell. "Footwear and apparel has been doing some amazing work in collaborating supply chains," says Tickner, who notes that a half dozen brands, including Nike, are working with Greenpeace toward zero discharge of hazardous chemicals. Consumer electronics manufacturers are also doing a good job with chemical policies and management, he says.

The Green Chemistry & Commerce Council (GC3), a business-to-business forum that's a project of the Lowell Center, has received very positive response to its retailer portal. Tickner says the portal, accessible through the GC3 Web site, is a great starting source of information for retailers to learn what types of tools, support and programs exist.

Turning Up The Heat

Shareholders have also been pressing companies to improve their chemical management policies. Last October, Boston-based Trillium Asset Management LLC sent a letter to Newell Rubbermaid asking about brominated flame retardants (BFRs) in its Graco brand children's car seats. It filed a shareholder proposal in November after failing to receive a response, and then withdrew that proposal following a good dialogue with the company in December and January.

"Shareholder proposals have a way of getting noticed in the same way that shareholder letters seem to get lost," says Jonas Kron, vice president with Trillium and a member of its advocacy team.

BPA has also been a hot issue for Trillium. This year, it filed a resolution with Panera Bread Co. regarding BPA in its thermal receipt paper, which it withdrew after receiving commitments from the company. Resolutions it co-filed with Coca-Cola about BPA in aluminum can linings received a significant 22% of the shareholder vote in 2010 and 26% in 2011.

Apple agreed to phase out some toxic chemicals in its products after Trillium filed (and then withdrew) a shareholder proposal in 2007 asking the company to consider the feasibility of eliminating "persistent and bioaccumulative chemicals," BFRs and PVC plastics from all its products. More toxic chemical resolutions and their outcomes are posted on the IEHN Web site.

Consumer products companies are also moving away from controversial chemicals such as triclosan, an antibiotic agent used in soaps. Johnson & Johnson, which has faced consumer boycotts, is re-evaluating the chemicals in its children's products. "No one wants to end up being caught up in the next asbestos litigation," says Kron, who has looked at studies linking diseases to toxic chemicals.

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Studying how toxic chemicals may be impacting health-care costs, lost work days and demand for government services is also important, says Kron. “These are externalities that may not come to roast one particular company,” he says, “but we can’t afford to have drags on our economy.”

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The U.S. EPA should force oil and natural-gas producers to disclose the chemicals they release during drilling, hydraulic fracturing, compressing and storage, environmental groups said.

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Retirement Plan Participation Down Over 18-Year Period
Financial Advisor - Online

11/08/2012

The share of U.S. families with a member participating in any employment-based retirement plan declined during the period from 1992 to 2010, according to the Employee Benefit Research Institute (EBRI).

The participation rate rose from 38.8% in 1992 to 40.6% in 2007, but then fell to 37.9% in 2010. “Americans lost a tremendous amount of wealth between 2007 and 2010, and the percentage of families that participated in an employment -based retirement plan and/or owned an IRA decreased as well,” said Craig Copeland, EBRI senior research associate.

At the same time, ownership of 401(k) plans have increased even as IRA ownership has fallen. EBRI reports that ownership of 401(k)-type plans among families participating in a retirement plan zoomed from 31.6% in 1992 to 79.5% in 2007, and then jumped further to 82.1% by 2010. But the percentage of families owning an IRA or Keogh retirement plan (for the self-employed) dipped from 30.6% in 2007 to 28.0% in 2010. All told, the percentage of families with a retirement plan from a current employer, a previous employer’s defined contribution plan or an IRA/Keogh fell from 66.2% in 2007 to 63.8% in 2010.

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The 4% Solution
Financial Advisor - Online

11/08/2012

Is it still a feasible retirement withdrawal strategy?

For decades now, the conventional wisdom was that retirees could withdraw about 4% of their assets every year without depleting principal. Yet with today's rock-bottom interest rates, a rising tide of early retirees and longer life expectancies, is 4% realistic anymore?

"The low current bond yields represent a clear challenge to the sustainability of 4% for recent retirees," notes Wade D. Pfau, director of macroeconomic policy at the National Graduate Institute for Policy Studies in Tokyo. "Retirement income strategies must be much broader than finding a sustainable withdrawal rate."

So what sort of distribution disciplines should financial advisors be recommending to retiree clients in the current environment?

Working With A Baseline

To be sure, many advisors have not completely abandoned the 4% solution. "I do make clients aware of it, but only as a general guideline," says A.J. Sohn of Antaeus Wealth Advisors in Boxborough, Mass. "You have to give people a baseline, and then you can work around it. So we build a customized plan for each client, because everybody's situation is different."

Sohn cites such differences as risk tolerance, long- and short-term objectives, lifestyle choices and financial resources. In other words, creating a customized withdrawal strategy is much like building any other financial plan.

"The withdrawal strategy is not something people should just apply and assume is going to work for them under all conditions," says William Bengen, president of Bengen Financial Services in Chula Vista and La Quinta, Calif., the man often credited with developing the 4% rule in the first place. The rule, he says, "assumes all your expenses and income will, over time, increase with inflation."

That's not always the case, however. So to offset inflation, Bengen suggests that a retiree might "start out with a lower withdrawal rate early in retirement and take out a higher rate later ... just to maintain his or her lifestyle."

Lifestyle discussions must be tempered with practicality, of course. "The paradigm has shifted to a more conservative needs-based withdrawal, with a concentration on preservation of principal, protection beyond inflation and, finally, profit of the overall portfolio," says Kimberly Foss, CEO of Empyrion Wealth Management in Sacramento, Calif.

Don't Retire Too Early

Many retirees, faced with the reality of a potential shortfall in meeting their needs, are forced to postpone retirement. After all, the longer they work the more they can save. And the shorter their retirement, the easier it is to preserve principal.

Yet those who try (or are pushed) to retire early—that is, before age 59½—face additional hurdles. The only way they can avoid the 10% penalty on early distributions from an IRA is to adhere to strict limits under IRS rule 72(t). These limits prevent young retirees from spending anything near 4% of their assets. "Early retirees can't withdraw enough to live on," cautions J. Graydon Coghlan, CEO of CFG Wealth Management, headquartered in San Diego. "The current withdrawal rate allowed under 72(t) is only about 1.3%," he says, noting that it changes daily.

Flexibility

For retirees over 59½, many advisors reject the idea of a withdrawal rule of any arbitrary size. "Applying any 'rule' can work in reverse of good planning," says Michael Kay, president of Financial Focus in Livingston, N.J. "A client's resources, risk tolerance and willingness to create a lifestyle that is synchronous with those resources obviate the need to overlay a theoretical rule."

A good strategy, adds Kay, requires built-in flexibility. "One client I knew began with a particular withdrawal rate, [but] the rate changed substantially when she moved in with her daughter and her family," Kay says. "She no longer had significant housing expenses. We had to revise her plan."

Indeed, withdrawal strategies should be re-examined regularly and after unforeseen trouble. "It's like taking a trip to Mars—you're not going to point your rocket ship and expect to land right where you aimed," says Bengen. "You'll probably have some midpoint corrections. Well, people's health can change, their finances change, maybe they'll inherit money or have a big loss in, say, a lawsuit. ... Even if not, every couple of years you should sit down with your clients and make sure their retirement plans are on track. I do it annually."

Tax-Deferred Annuities

Another potential problem with the old 4% rule is it's based on a tax-deferred portfolio. If your client's assets aren't in a tax-deferred account, he or she will have to pay taxes on not only withdrawals but reinvested dividends, interest and capital gains—further draining principal. "Tax deferral is one of the most important solutions for generating added returns," says Laurence Greenberg, president of Louisville, Ky.-based Jefferson National.

Greenberg recommends tax-deferred variable annuities as a low-risk way to guarantee income flow. Annuities may be most sensible for the first few years of retirement, to protect a portion of assets. Other assets can be invested more aggressively to appreciate over the long run.

"If you plan to be in the business for the next 10 years, and you want to help somebody retire every year, it could well be right before a bad spell in the market," says Zachary Parker, first vice president of income distribution at Securities America in Omaha, Neb.

Timing May Be Everything

To illustrate his point, Parker tells a cautionary tale about an acquaintance who retired with $1.7 million in 2007. Five years later, only $750,000 was left. "All the assets fell when the market dropped, and money kept coming out of those depressed assets," he recalls. "If the account had been set up initially in a way where the first five years was in some type of fixed account and the other assets were allowed to fluctuate, it would have contained the downside risk and he would've had a much better chance to recover."

Parker advocates what he calls a "time-segmented allocation model" that spreads a client's assets over different accounts, each designated to generate income over a specific time period. "So it effectively locks in some income for the first few years, with conservative fixed-rate or guaranteed products that don't fluctuate," he says. "Anything that's tied to the market with a lot of fluctuation goes later in the plan."

Clearly, dividing assets into separate investment vehicles allows retirees to draw on different types of funds at different times and for different needs. "Creating a retirement income plan utilizing a withdrawal rate for discretionary spending can be helped by segmenting [clients'] retirement assets by time usage," says Kristen Fricks-Roman, a senior vice president at Morgan Stanley Smith Barney in Atlanta. “For instance, Segment 1 would be for those assets to be utilized during the first five years of retirement and consist of liquid and laddered fixed-income investments. Segment 4 would be for those assets to be utilized 20 years from now and may be primarily invested in the market.”

She adds that it’s also a good idea to set aside emergency funds for unforeseen expenditures.

Chasing Yield

To generate adequate returns so retirees can withdraw what they need, some advisors go to extraordinary lengths in their pursuit of higher yields, even if that means higher risk. “Retirees in today’s environment likely have to accept a modest degree of risk over the short term,” says Sammy Azzouz, managing director of family wealth management at Manning & Napier in Rochester, N.Y. This may include securities with credit risk and duration risk, he says. Or income-producing equities such as dividend-paying stocks and REITs.

Curiously, a recent study found that tech stocks have become the second-largest dividend payers in the S&P 500 (in dollar terms), accounting for nearly 14% of all payouts last year, double what they were just five years ago. Still, such strategies require careful balance. The best solution, says Pfau, of the National Graduate Institute for Policy Studies, “depends on how one views the trade-off between downside protection and upside potential, as well as concerns about leaving a legacy.”

Diversification

When venturing into higher-risk securities, it’s important to diversify in order to smooth the bumps of market volatility. “This strategy entails splitting portfolios into different buckets, based on conservative to high risk,” says Jill Schneider of MayerMeinberg in Syosset N.Y. “This gives retirees more control over where their money is coming from in any given year, and it allows them to make adjustments should their needs change.”

Some asset managers employ sophisticated hedging strategies for their retiree clients. “We don’t stick with a traditional stock and bond portfolio to generate steady income,” says Michael McClary, vice president and chief investment officer at ValMark Advisers in Akron, Ohio. “I run primarily ETF managed portfolios,” he says.

He also uses index-based futures for hedging purposes. “It really works well when you’re taking withdrawals, because it smoothes out results,” he says.

Others trade high-yield bond funds to produce a steady income stream. Stephen Blumenthal, founder and CEO of CMG Capital Management Group in King of Prussia, Pa., has designed a strategy of buying “at the higher yields, and then, when yields move lower, we take out the cash,” he explains.

High-yield bonds, of course, carry a higher degree of risk than their better-rated counterparts, but they also pay out a great deal more. Because it can be risky, though, Blumenthal doesn’t recommend this strategy for a client’s entire portfolio. Only perhaps as much as a third of assets could be traded this way—while the rest is split between growth stocks and more conservative bonds, he says.

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Beyond Bonds
Financial Advisor - Online

11/08/2012

Mark Freeman has produced an attractive total return with low volatility.

As interest rates remain at rock-bottom levels, investors seeking higher yields are piling into bond funds. During the first seven months of 2012, those funds had seen net inflows (sales, adjusted for redemptions and exchanges) of more than $197 billion, while stock funds leaked more than $40 billion of investor money.

The mad dash to fixed-income securities worries Mark Freeman, manager of the Westwood Income Opportunity Fund. "I'm a little concerned about the timing of all these inflows," he says. "There are better income-producing investments out there."

As its name implies, the seven-year-old fund isn't tethered to bonds in its quest for yield. Instead, Freeman and his team diversify the income equation with eight asset classes that include dividend-paying stocks, bonds, master limited partnerships, preferred stocks and publicly traded real estate investment trusts.

Although the fund emphasizes a diversified income strategy, growth is also important here. "Our goal is to earn attractive total returns and maintain a low volatility profile," he says. "The fact that the securities in the portfolio offer high yields means we don't have to be overly aggressive on the growth side."

The combined yield of the securities in the fund currently clocks in at around 4%, near the low end of its historical 4% to 6% range. "If you add in some modest capital appreciation of 3% to 5% a year, that's an attractive total return," says the 44-year-old manager.

Freeman, who started his career as a fixed-income analyst, adjusts the fund's asset allocation to where he sees the best values, and these days bonds play a much less important role in the portfolio than they did in the past. According to the latest fact sheet, they account for just 21% of assets, whereas they made up half the fund at the end of 2008. Dividend-paying stocks account for 41% of the portfolio, after they accounted for only 11% four years ago.

"Our allocation strategy is driven by where we are seeing opportunities, and just as important, where we do not," he says. "We believe income-producing stocks, particularly in the large-cap space, are offering the most attractive opportunities."

The shift away from bonds and the move toward dividend-paying blue chips began picking up speed a couple of years ago, when Freeman took note of the increasing number of companies whose dividend yields were higher than their 10-year corporate bonds. "To me, that was a clear indicator that informed professionals had a lot of faith in a company's creditworthiness," he says.

"At the same time, it was also a signal that the stocks were a better value than the bonds."

Freeman sees ample evidence that dividends will rise and stock prices will strengthen in the coming years. With the cash on corporate balance sheets near their historical highs, some companies have ample war chests to boost their dividend payments.

At the same time, payout ratios (the percentage of earnings paid as dividends) are near historic lows, an indicator that there's plenty of room for payout expansion. Companies have recognized the increasing importance of dividends to investors, and over the next 20 years that trend will continue as the number of people over age 65 seeking income-producing investments doubles.

The trends in executive compensation could also have a positive impact on stock prices. Twenty years ago, company managements were paid largely in stock options. Today, companies are more likely to dole out restricted stock, so managers have a vested interest in paying out and growing dividends over time.

Even if the favorable 15% tax rate on dividends expires next year, the demand for these payouts should remain solid, he says. Many dividend payers are held in tax-deferred accounts that won't be hurt by the tax increase, which would likely affect those earning more than $250,000 a year. And with large cash balances on corporate balance sheets, companies are in a good position to soothe some of the tax pain with rising dividend payouts. "With investor need for income and the ambiguous benefit share buybacks give to investors, dividend payouts would likely keep rising even with higher tax rates," he says.

While rising interest rates could make bonds more attractive to new investors, Freeman points out that they usually signal a strengthening economy, which boosts dividends and stock prices. According to the firm's study of the last 40 years, dividend-paying stocks have actually outperformed their non-dividend counterparts during periods when inflation and interest rates rise.

Still, the stocks with some of the juiciest yields, such as utilities, aren't on his buy list. That's because they have a fairly high exposure to interest rate risk; investors tend to abandon them when interest rates rise and bonds look more appealing. Their dividend increases aren't as robust as some other companies', and the dividends also absorb most of their earnings.

Instead, Freeman prefers stocks with strong but not spectacular dividend yields that have good prospects for dividend growth and capital appreciation. Such companies have much lower payout ratios than the average stock, so there's a better chance they will grow their dividend payouts over time at an inflation-beating pace.

Fund holding Microsoft is such a company. While its 10-year bond yields about 1.8%, the stock's dividend yield is 2.7%. With a low payout ratio of 26%, the technology giant is in a good position to increase dividends going forward. The stock sells at a reasonable 10 times projected earnings, and Freeman says earnings growth should come in at about 10% a year.

Another large technology company among the fund's holdings, Intel, is priced at a reasonable 10 times forward earnings. Its dividend yield is 3.7%, substantially higher than the 2.3% yield on its 10-year bond. The company has raised its dividend an average of 14% annually over the last five years and has a healthy payout ratio of 35%. Freeman says an expansion into laptops and smart phones should help the company produce earnings growth of around 8% next year.

Health-care companies such as Johnson & Johnson and Novartis offer yields close to those of utilities, but are a better deal, Freeman says, because their stocks offer a superior shot at appreciation. "A health-care company with a 4% dividend yield sells at 10 times earnings and has prospects for high-single-digit earnings growth next year, while a utility stock offering about the same yield sells at 16 times earnings and has little or no potential for earnings growth."

About 8% of the fund's assets are devoted to preferred stock. As a hybrid stock-bond investment, preferred stock pays a specific dividend that does not change. It is higher in the securities pecking order than common stock, because if a company defaults, holders of preferred shares are ahead of stockholders (though behind bondholders) for payment. Issuers must also pay preferred dividends ahead of common stock dividends. The preferred stock of Freeman's longtime holding Bank of America has offered a reliable 6.5% to 7% yield over the years and has been less volatile than the bank's common stock. Recently, the fund added to the portfolio preferred stock of BB&T Corporation, a large financial services holding company.

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Master limited partnerships such as Western Gas Partners (WES) and Plains All American Pipeline (PAA) account for another 8% of Freeman's portfolio assets. These companies, which trade as "units" on an exchange, must earn 90% of their revenue from activities related to commodities, real estate or natural resources. They are both involved in the storage and transportation of natural gas and both produce yields of about 6%. The two MLPs also both stand to benefit from increasing spending on energy infrastructure and a pickup in merger and acquisition activity in the sector.

The fund's whittled-down bond stake consists mainly of investment-grade corporate securities, since Freeman doesn't want to compound the risk the fund is already taking in other asset classes. He had a relatively hefty stake in Treasury securities a few years ago, but began selling off those positions as their yields shriveled in comparison to corporate bonds.

Bonds of all stripes are very familiar territory to Freeman, who started his career as a fixed-income analyst at a regional bank. When the Westwood Management founder Susan Byrne hired him nearly 14 years ago, she recognized that many of the skills needed to evaluate bonds also translated well in the stock world. "Fixed-income investing is all about evaluating risk, and when you're looking at equities you're basically doing the same thing," he says. "She understood that."

After sharing the role of chief investment officer with Byrne since the beginning of 2011, Freeman assumed full responsibility earlier this year. Byrne, now chairman of the firm's board, no longer makes day-to-day investment decisions but remains active in the firm's broader policy decisions.

The orderly transition is somewhat unusual for a mutual fund firm that's been managed for decades by the person who founded it. Often, those at the helm of such funds manage them well into their late 60s and aren't open to discussing retirement plans with the press. Freeman says that as a publicly traded company, Westwood is obligated to shareholders to ensure a smooth transition. For investors, he says, it's a signal that "we have a sustainable process that transcends one individual."

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Shiny Investments
Financial Advisor - Online

11/08/2012

Precious metals have had a nice run, but can they still retain their luster?

Precious metals are a hot commodity right now. How hot? A number of cities across the country have recently reported an uptick in catalytic converter heists by thieves who sell them to scrap yards to cash in on high prices for the platinum and palladium used to convert noxious fumes into less harmful effluvia.

A more conventional way to gauge interest in precious metals is to look at market prices for the four shiny metals that make up this group—gold, silver, platinum and palladium. All of them have gone up since the summer, but for different reasons.

Gold and silver prices swooned in the spring and languished during the first half of the summer. Then came European Central Bank president Mario Draghi's promise to do "whatever it takes" to save the euro currency, followed by a conditional bond buying program designed to take the heat off Italy and Spain. Not to be outdone, U.S. Federal Reserve Chairman Ben Bernanke in September launched the third round of quantitative easing by buying mortgage-backed securities to boost lending and spending.

These two monetary moments gave gold and silver a kick in the pants that lifted them higher. As of early October, the spot price for gold, the bellwether among precious metals, had reached its yearly high at nearly $1,800 an ounce. And silver was up to about $35 an ounce, close to the year's high. The largest exchange-traded funds that track these two metals—the SPDR Gold Shares Trust (GLD) and iShares Silver Trust (SLV)—had gained about 15% and 30%, respectively, from their midyear lows.

Meanwhile, platinum and palladium prices started to jump in August because of spreading labor unrest that disrupted platinum mine production in South Africa, home to about 80% of the world's platinum production. Given the slim gap between supply and demand for both metals, coupled with palladium's tendency to trade in sympathy with platinum, both prices spiked as a result.

The two largest pure-play platinum and palladium ETFs—ETFS Physical Platinum Shares (PPLT) and ETFS Physical Palladium Shares (PALL)—gained 22% and 16%, respectively, from August through mid-October.

Going forward, precious metals prices will depend on various factors ranging from a dysfunctional, do-nothing U.S. Congress to loose fiscal policies around the globe to car sales in China.

Hedging Risk

Gold dominates the precious metals trade. Last year it represented 80% of total demand value and 87% of net investment inflows in the market, according to the metals research firm Thomson Reuters GFMS. Silver accounted for 13% of the demand value and 11% of net investment inflows, while platinum and palladium were in the low single digits for both categories.

Gold traditionally is a proxy for investor attitudes about macro events. Nicholas Brooks, head of research at ETF Securities, sponsor of the PPLT, PALL and other metals-based exchange-traded products, says there has been massive global demand for physically backed gold ETPs as investors try to hedge against the debasement of the world's major reserve currencies caused by the actions of major central banks.

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Along with the Fed and the ECB, central bankers in Great Britain, Japan and Switzerland have been aggressively buying assets and boosting liquidity to achieve specific economic and/or monetary goals.

"Investors are desperately looking for places to hide, and gold is one of the first places they go," Brooks says. "And that's been true historically."

He adds that silver often rides on gold's coattails, and then some. "When gold does well, you'll often see silver perform even better," Brooks says. "It tends to be a volatile performer, and it can have a lot more risk because silver can turn sharply."

Brooks says for the 10-year period ending September 2012, the average volatility of gold was about 17% versus an annualized volatility of 21% for the S&P 500. Silver's annualized volatility during that time frame was 35%.

Different Shades Of Precious

Whereas gold is seen as a currency hedge against inflation, platinum and palladium are viewed more as industrial metals tied to economic conditions.

"They're more driven by what's going on in the auto catalytic market than by the currency market," says Dan Denbow, portfolio manager at the USAA Precious Metals and Minerals fund (USAGX).

That means economic concerns could weigh on these two metals going forward, particularly in light of weak auto sales in Europe and potentially weak sales in China as that economy cools off. Plus, both metals have other industrial uses beyond automobiles. But, Denbow notes, economic concerns could be offset in the near term by diminished supply. "Production disruptions have turned a likely platinum surplus this year into a likely deficit."

Longer term, he believes that labor agreements in South Africa could make it more expensive to mine there, which could take some supply off the market and provide price support for platinum.

Silver is kind of a tweener in that it has the safe-haven and currency attributes of gold but is also widely used in industrial applications, which could make it vulnerable in a major economic downturn. And that makes it less of a defensive play than gold.

Gold's traditional role as an inflation hedge and source of tangible value bode well for the foreseeable future, thanks to QE3 (or, as it's derisively known with its open-ended mandate, "QE Forever") and other stimulus programs flooding the markets with liquidity. "The central banks will continue to run the printing presses to help their economies and help solve budget deficits," Denbow says.

But that doesn't mean gold is on the fast track to $2,000 an ounce by year's end (as some pundits have predicted), particularly as Congress bickers and dickers about the debt ceiling and the looming fiscal cliff involving expiring tax cuts and automatic spending cuts. "Past debt-ceiling discussions have been times of sharp volatility for gold," Denbow says.

Ways To Play

Kevin Mahn, president and chief investment officer of Hennion & Walsh Asset Management in Parsippany, N.J., allocates precious metals to some of his portfolios to hedge against inflation and market volatility. He also views the asset class as a source of good risk-adjusted returns. "They're not heavily correlated to the equity markets, and can provide returns when the equity markets don't," he says.

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Mahn takes a basket approach to precious metals through ETFs, which provide low-cost, transparent access to that market. Specifically, he uses the PowerShares DB Precious Metals ETF (DBP), which has a base weighting of roughly 80% gold and 20% silver in futures contracts. He says the fund minimizes the potential impact of contango, which occurs when distant commodities futures prices are greater than near-term prices. This causes investors to lose money when ETFs roll expiring contracts into more expensive future contracts.

The DBP fund employs a strategy designed to minimize the potential impact of a market in contango and maximize the potential of a market in backwardation, which occurs when distant commodities futures prices are less than near-term prices.

Harry Clark, chairman and CEO of Clark Capital Management Group in Philadelphia, believes gold has much room to run in the current environment. "With Bernanke buying everything in sight, that will mean a devalued dollar and inflation, and gold is seen as a store of value," he says.

His firm's unified managed accounts use mostly ETFs, including an alternative sleeve employing gold and silver—especially the former. Clark says his main trading vehicle of choice is GLD, the popular bullion-tracking iShares ETF. And he'll sometimes use that in tandem with the Market Vectors Gold Miners Index ETF (GDX) and the Market Vectos Junior Gold Miners ETF (GDXJ).

Clark says he likes to trade these funds by following trends he deems fairly reliable. "We feel gold is more predictable and is much easier to trade [than silver or the other precious metals]," he notes. "I like to trade it because when it gets to a certain percentage of bullishness it almost always tops out, and when it goes down to the moving average it's usually a good support level."

In recent months, some investors have turned to mining stocks to take advantage of the steep discount that existed between miners and the metals they mine. "Miners were trading extremely cheap going into August, but they've had a good rally and the miners in our portfolio were up 21% in the third quarter," says Denbow, whose USAA Precious Metals and Minerals mutual fund invests primarily in gold miners.

Despite the run-up, he believes that miners still have upside potential. The better miners, such as one of the fund's top holdings, Yamana Gold Inc., have done a better job of controlling costs and spending capital more wisely. "That's necessary for gold mining stocks to outperform gold, because the lowest-cost providers win in the commodity business," Denbow says.

The Real Thing

Investors who want to own the actual precious metals can turn to online sites or late-night infomercials that sell coins, bars and bullion directly to the public.

Financial advisors with clients who want to own hard assets can turn to CAIS, a New York City-based financial technology company that provides an alternative investment platform to financial advisors, wealth managers and private bankers. Last year, CAIS added the precious metals trading platform of Gold Bullion International (GBI) to its own platform to provide its customers with a quick, affordable way to trade precious metals.

Rafay Farooqui, the co-founder and president of CAIS, says his company added GBI to its platform because financial advisors asked for it. "We've found that getting access to real assets like physical precious metals are very cumbersome for independent advisors and their clients," he says.

Farooqui adds that advisors have told him they want precious metals in time of financial duress but don't necessarily want ETFs and other products based on futures contracts and other derivatives that can be correlated to the market crisis du jour.

“If you’re in the market to trade and speculate on gold, it’s probably best to stick with financial products because they’re easy to get in and out of,” Farooqui says. He notes that’s not a solution for ultra-high-net-worth clients who want security in owning a real asset with a buy-and-hold strategy.

“The most efficient way to do that is to own the physical gold, silver, platinum and palladium in your name,” Farooqui says. CAIS’s platform enables investors to buy and sell precious metal as easily as stocks and bonds and have it stored in a secure facility that’s audited and insured.

The CAIS platform charges the same expenses for precious metals that GBI charges its customers—fees range from 0.25% to 2%, depending on the size of the transaction. Investment minimums can be as low as $5,000, but Farooqui says most orders have a $10,000 minimum and the average order is $25,000. He adds that roughly three-quarters of orders are for gold bullion, about 15% for silver and the remainder for platinum and palladium.

A Taxing Matter

Of course, investors need to consider the different tax implications for investing in precious metals. The IRS classifies physical metals as collectibles, and assets held less than a year are taxed at ordinary income rates while assets held more than one year are subject to the maximum 28% collectibles rate. The same rule applies to GLD, SLV and other ETFs that own and store physical metals when they’re placed in taxable accounts.

Under the current tax code (which could expire at the end of 2012), short-term capital gains on shares of mining company stocks or funds that own mining stocks are taxed at regular income tax rates, while the long-term rate on shares held more than one year is capped at 15%.

There’s a heap of uncertainty out there, particularly relating to the economy and to monetary policies that are flooding the world with liquidity. And that uncertainty is bound to keep precious metals in the spotlight for the foreseeable future.

Expert Views

Court Case May Help Financial Advisors Clean Up BrokerCheck Records

Some brokers may need to rely on a recent court case to get erroneous or outdated information removed.

Helping Retirees Understand Why Inflation Matters

How can you help your clients prepare for rising costs -- in particular from inflation and health care -- during retirement?

FA green

Environmental Groups Ask EPA To Require Fracking Disclosure

The U.S. EPA should force oil and natural-gas producers to disclose the chemicals they release during drilling, hydraulic fracturing, compressing and storage, environmental groups said.

News Clips Report

New York Anti-Fracking Candidates Fared Poorly At Polls
Huffington Post, The

11/08/2012

ALBANY, N.Y. (AP) — Anti-fracking sentiment in the Southern Tier was felt at the polls this week when candidates opposed to drilling were beaten up and down the ballot after intense campaigns, some that were framed as referendums on shale gas development.

In the 22nd Congressional District, Republican Richard Hanna, an incumbent whose district was redrawn, beat Dan Lamb, a first-time candidate who was endorsed by New York Residents Against Drilling. In another redrawn district, the 23rd, Democratic challenger Nate Shinagawa lost by about 10,000 votes to incumbent Tom Reed. Shinagawa was also endorsed by opponents of hydraulic fracturing, or fracking, for natural gas.

In the Broome County executive race, Democrat and anti-drilling activist Tarik Abdelazim lost to incumbent Debbie Preston, a strong drilling supporter.

Anti-fracking candidates also fared poorly in local town races in the Southern Tier region near the Pennsylvania border, where shale gas drilling is most likely to begin if Gov. Andrew Cuomo allows it. New York has had a moratorium on shale gas drilling since 2008, when regulators began an environmental review of fracking, which releases gas from rock by injecting a well with millions of gallons of chemically treated water.

Regulators contend that overall, water and air pollution problems related to gas drilling using hydraulic fracturing are rare, but environmental groups and some scientists say there hasn't been enough research on those issues.

Drilling opponents in Broome County, a likely target for drillers, pushed for a transformation of the political landscape at the local level in hopes that a change in town boards could keep fracking out. Numerous town boards around the state have banned or placed moratoriums on drilling, but their authority to do so is being challenged in a state appellate court.

In the town of Sanford, drilling opponent Brian Stevens lost 661 to 219 against incumbent Town Supervisor Dewey Decker, a landowner hoping for gas wells on his farm. In nearby Vestal, incumbent Steve Milkovich led anti-fracking candidate Paul Logalbo 5,264 to 5,009 on Wednesday, but Logalbo said absentee ballots may decide the race.

In the town of Union, three candidates endorsed by New York Residents Against Drilling lost to incumbents.

It's unclear how much weight voters put on the fracking issue compared to other concerns such as jobs and taxes. But the Joint Landowners Coalition of New York, which endorsed pro-drilling candidates, called the election results "a clear mandate. The voters have spoken in favor of natural gas development for upstate New York."

Karen Moreau, executive director of the New York State Petroleum Council, also called the election results a victory for gas drillers. "The results from last night's election in the Southern Tier should serve as a clear call for action in Albany to create jobs through safe natural gas development," Moreau said.

Anti-fracking groups focused their post-election comments on races in other parts of the state where winning candidates had taken a stand against fracking while not making it a central theme.

Sue Rapp of Vestal Residents for Safe Energy, which opposes fracking, said pro-fracking groups should not take the election results as a referendum in favor of drilling.

News Clips Report

"All these election results mean is that big money is still a big factor in our electoral process," said Rapp, who said the gas industry and related businesses supported Preston and other drilling boosters. "We believe that the majority of residents understand that we are not ready for fracking anywhere in New York state."

State Lawmakers And Environmental Activists Express Opposition To Hydro Fracking

NEW YORK, NY - JANUARY 11: Opponents of hydraulic fracturing in New York state attend a news conference and rally against hydraulic fracturing, also known as fracking, on January 11, 2012 in New York City. The event, which was held on the steps of City Hall, called for an end to the controversial gas drilling method as environmental groups increasingly warn about contamination of the state's aquifers that could poison its drinking water. (Photo by Spencer Platt/Getty Images)

State Lawmakers And Environmental Activists Express Opposition To Hydro Fracking

NEW YORK, NY - JANUARY 11: Eric Weltman of Food & Water Watch attends a news conference and rally against hydraulic fracturing, also known as fracking, in New York State on January 11, 2012 in New York City. The event, which was held on the steps of City Hall, called for an end to the controversial gas drilling method as environmental groups increasingly warn about contamination of the state's aquifers that could poison its drinking water. (Photo by Spencer Platt/Getty Images)

Department Of Environmental Conservation Holds Hydro Fracking Hearing

NEW YORK, NY - NOVEMBER 30: Opponents and supporters of gas-drilling, or fracking, walk into the last of four public hearings on proposed fracking regulations in upstate New York on November 30, 2011 in New York City. Fracking, a process that injects millions of gallons of chemical mixed water into a well in order to release gas, has become a contentious issue in New York as critics of the process belive it contaminates drinking water among other hazards. NewYork City gets much of its drinking water from upstate reservoirs. If the regulations are approved, drilling in the upstate New York Marcellus Shale could begin next year. (Photo by Spencer Platt/Getty Images)

Cuadrilla Shale Fracking Plant

PRESTON, LANCASHIRE - OCTOBER 07: Engineers on the drilling platform of the Cuadrilla shale fracking facility on October 7, 2012 in Preston, Lancashire. The controversial method of extracting gas by pumping high pressure water and chemicals into shale formations deep underground has been blamed for two minor earthquakes in the surrounding region. Environmental campaigners are calling for a halt to the drilling of what Cuadrilla believe could be significant reserves of natural gas. (Photo by Matthew Lloyd/Getty Images)

Cuadrilla Shale Fracking Plant

PRESTON, LANCASHIRE - OCTOBER 07: Engineers at work on the drilling platform of the Cuadrilla shale fracking facility on October 7, 2012 in Preston, Lancashire. The controversial method of extracting gas by pumping high pressure water and chemicals into shale formations deep underground has been blamed for two minor earthquakes in the surrounding region. Environmental campaigners are calling for a halt to the drilling of what Cuadrilla believe could be significant reserves of natural gas. (Photo by Matthew Lloyd/Getty Images)

Cuadrilla Shale Fracking Plant

PRESTON, LANCASHIRE - OCTOBER 07: General views of the Cuadrilla shale fracking facility on October 7, 2012 in Preston, Lancashire. The controversial method of extracting gas by pumping high pressure water and chemicals into shale formations deep underground has been blamed for two minor earthquakes in the surrounding region. Environmental campaigners are calling for a halt to the drilling of what Cuadrilla believe could be significant reserves of natural gas. (Photo by Matthew Lloyd/Getty Images)

Cuadrilla Shale Fracking Plant

PRESTON, LANCASHIRE - OCTOBER 07: Engineers look at the Cuadrilla shale fracking facility on October 7, 2012 in Preston, Lancashire. The controversial method of extracting gas by pumping high pressure water and chemicals into shale formations deep underground has been blamed for two minor earthquakes in the surrounding region. Environmental campaigners are calling for a halt to the drilling of what Cuadrilla believe could be significant reserves of natural gas. (Photo by Matthew Lloyd/Getty Images)

Cuadrilla Shale Fracking Plant

PRESTON, LANCASHIRE - OCTOBER 07: A lump of shale rock on display at the Cuadrilla shale fracking facility on October 7, 2012 in Preston, Lancashire. The controversial method of extracting gas by pumping high pressure water and chemicals into shale formations deep underground has been blamed for two minor earthquakes in the surrounding region. Environmental campaigners are calling for a halt to the drilling of what Cuadrilla believe could be significant reserves of natural gas. (Photo by Matthew Lloyd/Getty Images)

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Cuadrilla Shale Fracking Plant

PRESTON, LANCASHIRE - OCTOBER 07: Drill heads on display at the entrance to the Cuadrilla shale fracking facility on October 7, 2012 in Preston, Lancashire. The controversial method of extracting gas by pumping high pressure water and chemicals into shale formations deep underground has been blamed for two minor earthquakes in the surrounding region. Environmental campaigners are calling for a halt to the drilling of what Cuadrilla believe could be significant reserves of natural gas. (Photo by Matthew Lloyd/Getty Images)

Cuadrilla Shale Fracking Plant

PRESTON, LANCASHIRE - OCTOBER 07: An engineer displays a lump of shale rock at the Cuadrilla shale fracking facility on October 7, 2012 in Preston, Lancashire. The controversial method of extracting gas by pumping high pressure water and chemicals into shale formations deep underground has been blamed for two minor earthquakes in the surrounding region. Environmental campaigners are calling for a halt to the drilling of what Cuadrilla believe could be significant reserves of natural gas. (Photo by Matthew Lloyd/Getty Images)

News Clips Report

Hydraulic Fracturing Prevention Press Conference

NEW YORK, NY - APRIL 25: Actor/director Mark Ruffalo (C) speaks at the Hydraulic Fracturing prevention press conference urging the protection of the drinking water source of 15 million Americans at Foley Square on April 25, 2011 in New York City. (Photo by D Dipasupil/Getty Images)

Hydraulic Fracturing Prevention Press Conference

NEW YORK, NY - APRIL 25: (L-R) Actor/director Mark Ruffalo, Denise Katzman, Wenonah Hauter, and Water Defense co-founder/campaign director Claire Sandberg attend the Hydraulic Fracturing prevention press conference urging the protection of the drinking water source of 15 million Americans at Foley Square on April 25, 2011 in New York City. (Photo by D Dipasupil/Getty Images)

Josh Fox on Obama, the EPA, and House Republicans Who Had Him Arrested

HuffPost Green Editor Joanna Zelman talks to Josh Fox, director of the documentary 'Gasland,' about hydro-fracking, the EPA, and the House Republicans who had him arrested during a Congressional hearing.

Game Changer in Green: Mark Ruffalo

The expertise and the grassroots zeal Mark Ruffalo has brought to the issue of fracking is changing the game in green.

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News Clips Report

Harsher energy regulations seen in Obama's second term
Yahoo! Finance Singapore

11/08/2012

LOS ANGELES/SAN FRANCISCO (Reuters) - Energy producers braced for tighter regulation in President Barack Obama's second term, with coal companies expecting more emissions restrictions and drillers anticipating less access to federal land even as his platform promotes energy independence.

Opponents already believe Obama has waged a "war on coal" through the administration's push for stricter regulation of greenhouse gas emissions by the Environmental Protection Agency.

"Four more years of President Obama translates into additional pressure on the coal industry from the EPA and numerous environmental groups," energy investment bank Simmons & Co said in a note to investors on Wednesday.

Analysts at ClearView Energy Partners in Washington expect Obama to "continue prosecuting energy policy through regulation and administrative action, with only the courts as a check on that agenda."

Miners criticize Obama for not living up to a 2008 promise to develop clean coal technology, arguing that his policies actually preclude the construction of any new coal plants.

Shares of U.S. coal companies plunged on Wednesday. Arch Coal (NYS:ACI - News) and Alpha Natural Resources (NYS:ANR - News) ended trade down more than 12 percent, while Peabody Energy (NYS:BTU - News) closed 9.6 percent lower.

Eric Green, senior managing partner at Penn Capital Management, which owns coal stocks, said the sell-off was "100 percent related to election results.

Alpha Natural Resources Chief Executive Kevin Crutchfield argued that the United States, with the world's largest coal reserves, should use what it has. "We would hope the administration remains true to its campaign promise to support coal as an indispensable part of our nation's energy mix," he said.

Yet up to 33 gigawatts of coal-fired power generation is estimated to be due for retirement - 3 percent of U.S. capacity. While tougher emissions regulation play a part, that change is also driven by cheap natural gas as an alternative power source.

Obama has paid plenty of lip service to natural gas because it burns cleaner than coal, and his approach to the oil and gas industry in general is more nuanced.

He has pledged to cut oil imports in half by 2020 and advocates an "all of the above" approach to developing domestic energy sources. Yet he has also said that he would roll back subsidies for oil companies and reduce U.S. reliance on oil by mandating production of more fuel-efficient vehicles.

"The Obama administration really hasn't helped the oil and gas industry," said Michael Linn, founder and former chief executive of Linn Energy (LINE.O). "It's going to be a tough four years."

FOOT ON GAS, TAX BREAK THREAT

More restrictions are expected for companies drilling on federal lands, as well as more rules governing water management and methane emissions. Any new rules related to hydraulic fracturing may drive up costs for active drillers including Chesapeake Energy Corp (NYS:CHK - News) and Exxon Mobil Corp (NYS:XOM - News).

"You are going to have less access to federal lands and tougher government agencies," said Dan Pickering, chief investment officer at TPH Asset Management, part of energy-focused investment bank Tudor Pickering Holt in Houston.

Obama's solid support for natural gas on the campaign trail won him praise from America's Natural Gas Alliance, a lobby group. But he also wants to eliminate $46 billion in subsidies for fossil fuel companies, a plan producers vigorously oppose.

Virginia Lazenby, chair of the Independent Petroleum Association of America whose members supply 54 percent of U.S. oil and 85 percent of its natural gas, worried about potential "duplicate" federal regulation of what states already do, and rejected the call to collect more tax from the industry.

"IPAA hopes President Obama will stop his call to eliminate the crucial tax provisions of intangible drilling costs and percentage depletion, which are not subsidies at all, but allow independent producers to reinvest 150 percent of their cash flow into new energy projects," she said.

While the Obama administration put approval of TransCanada's (TOR:TRP.TO - News) Keystone XL pipeline on hold, eventual approval is expected, which will increase the flow of cheaper crude oil from Canada to refineries on the Gulf Coast at Port Arthur, Texas.

Companies with refineries in Port Arthur or in nearby Beaumont include Valero Energy Corp (NYS:VLO - News), Royal Dutch Shell (LSE:RDSA.L - News), France's Total (PAR:FP.PA - News) and Exxon.

FORECAST: SUNNY SPELLS, BREEZY

Obama has promised more assistance for solar and wind technology, though he will need congressional support to extend tax breaks that help those industries.

"Obama can love solar as much as he wants, but I don't know that a whole lot more is going to happen in terms of new, constructive policy," said Morningstar analyst Stephen Simko.

Obama's advisers include Energy Secretary Steven Chu, a Nobel Prize-winner with expertise in renewable energy, who regularly talks up the government's role in developing hydraulic fracturing technology. The top White House energy adviser is Heather Zichal, who has been an advocate for green jobs and tackling climate change by reducing dependence on oil.

Obama's green policies had a major setback when solar power company Solyndra collapsed after receiving a $535 million federal loan guarantee. And his energy strategy shifted away from climate change when a bill establishing a cap-and-trade system to curb carbon emissions died in the U.S. Senate in 2010.

Renewable energy also faces obstacles that are not directly related to policy: competition from low-priced natural gas; lack of infrastructure to connect projects to the grid; and a glut of solar panels putting manufacturers out of business. Yet having Obama back was broadly welcomed by most in the green business.

"The renewable energy industry and solar have retained a really important ally in the White House," said Arno Harris, chief executive of U.S. solar installer Recurrent Energy, a unit of Sharp Corp <6753.T>. "Solar and renewable energy were so severely attacked during the campaign that the president's win, I think, gives him a mandate in pursuing a clean energy agenda."

News Clips Report

CHEMICALS BRACE FOR HIT

Obama is also likely to implement long-delayed emissions regulations for industrial boilers that are commonly used by chemical makers. The centerpiece provision, Boiler MACT (Maximum Achievable Control Technology), was proposed in 2004 but effectively shot down by courts before the EPA revived it in 2011.

It has been winding its way through courts again, and the EPA is due to issue new rules by December.

Obama's victory may embolden EPA Administrator Lisa Jackson to further tighten Boiler MACT regulations next month on limits for dioxin, mercury and carbon monoxide emissions. It is not clear if Jackson will stay at the agency in Obama's second term.

"While we don't agree with some of the provisions (of Boiler MACT), we think that it will be pushed through more readily than if Romney had won," said Lawrence Sloan, president of the Society of Chemical Manufacturers and Affiliates, a trade group.

(Additional reporting by Anna Driver in Houston, Ernest Scheyder in New York, and Krishna N. Das and Swetha Gopinath in Bangalore; Writing by Nichola Groom and Braden Reddall; Editing by Patricia Kranz, Richard Chang, Bernadette Baum and Leslie Gevirtz)

News Clips Report

EPA Calls For More Public Input On Fracking Study
Law360

11/08/2012

The U.S. Environmental Protection Agency asked the public Thursday to submit scientific data and literature for its ongoing research study on the impact of hydraulic fracturing on drinking water, stressing the agency's desire to stay updated on evolving industry practices and technologies.

News Clips Report

Coal, gas industries await effect of four more years of Obama - Business, GovernmentLegal News from throughout WV
State Journal - Online, The

11/08/2012

With another four years of President Barack Obama at the helm - a president West Virginia strongly rejected - what is to come of the West Virginia energy industry?

Republicans across the nation found allies in the coalfields when they pushed the notion Obama was waging a "war on coal." While there have been unsourced rumors suggesting the Environmental Protection Agency had been preparing to release new coal-related regulations, some energy officials are hopeful they can work with Obama in a way that is not detrimental to the coal industry.

"The one thing we are especially proud of is that the 2012 election will be remembered as the campaign for coal," said Lisa Miller, vice president of communications for the American Coalition for Clean Coal Electricity. "Millions of coal voters went out to the polls and will continue to be an important presence for not only this election, but for years to come."

The coal industry's favored candidate, Republican Mitt Romney, did not win. But in a way the industry did. Without a doubt, the industry thrust itself into the election in a way that appeared to have both candidates afraid to offend the oft-vilified industry.

"We certainly hope this next four years (Obama) recognizes the significance of the coal industry as part of the energy picture in this country," said Bill Raney, president of the West Virginia Coal Association.

Raney said he didn't think permits would have been any easier under a Romney presidency, but that the current administration should "quit bullying states and companies." He said he thought Romney would have introduced more predictability for the industry.

An energy plan that doesn't include West Virginia's coal resource, Raney said, is like Saudi Arabia not acknowledging it has oil. Specifically, Raney said he thinks despite the region-specific challenges of Appalachia coal, the area should still be viewed as a major energy player.

"Hopefully there will be some initiatives, some financing and funding of research projects that are trying to find the true value of coal and the fact that everybody in the world wants coal to build their economies on, and we should certainly use coal in this country to help our economy recover," Raney said.

More Emphasis on Clean Coal?

Miller said clean coal technologies are the kinds of things coal companies continue to invest in already. She believes both candidates expressed positive feelings toward efforts to burn coal more cleanly and efficiently.

"We're going to look forward to working with the administration and working with Congress and hopefully see comprehensive energy legislation that will set the course for action for the deployment of clean coal in our lifetime," Miller said. "... This is a great American industry. The coal industry is going to continue to make advancements not just in technology like carbon capture and storage, but in a variety of technologies."

One of the coal industry's most vocal opponents, the Sierra Club, touted the election of Obama, even if he has not delivered on all the issues it would have liked to see. Mary Anne Hitt leads the Beyond Coal campaign for the Sierra Club and lives in West Virginia. She said she is expecting "more of the same" with a second term that looks largely like the first four years.

"I think the coal industry has tried to paint Obama as anti-coal, but I think he's pretty centrist," Hitt said. "I think we're going to see more of the same - thoughtful, measured actions going after the worse of the pollution."

The problem for coal, Hitt said, is not the administration. What's harming the industry are market forces coupled with grassroots action sparked by the concerns of those living near coal extraction and burning sites.

"What we need now is an actual honest conversation about coal and how we start diversifying our economy instead of trying to hide behind a lot of war on coal type of rhetoric," Hitt said.

Hitt listed the five objectives for the Beyond Coal campaign now that the election is over: "Secure the retirement of one-third of the nation's coal plants; power the nation with record amounts of clean energy and energy efficiency; end mountaintop removal once and for all; close additional coal pollution loopholes; including long-overdue protections for carbon, soot, smog, coal ash, and water pollution; and prevent increased coal exports overseas to places where it will be burned with fewer pollution controls and no climate safeguards.

Without Romney in office, Hitt said the Sierra Club has a "fighting chance," though he may not have had the impact he or his supporters had suspected.

"I don't necessarily think Romney could have turned the tide, but I think he would have tried," Hitt said.

The National Mining Association's CEO Hal Quinn said the U.S. can be a valuable partner to the administration and nation to "pursue public policies that provide reliable, affordable energy and a dependable supply of minerals."

A Part of the Energy Mix

Jamie Van Nostrand, a West Virginia University professor and director of the College of Law's Center for Energy and Sustainable Development, said he thinks the EPA will continue to regulation greenhouse gas emissions and will, in terms of economic impact, be bad for West Virginia.

"I don't think this president likes coal, and he wants to go in a new direction," Nostrand said.

He expects the Department of Energy to have a smaller budget, but to focus that mostly on renewable energy resources.

"I think that's the contrast with Romney - I was shocked when I read Romney's energy plan," Nostrand said. "It's clearly written by the Koch brothers; it's hostile to forms of new energy, doesn't like renewables, doesn't like funding for renewables and doesn't like subsidizing renewables. It's just drill baby, drill whether it's oil or natural gas, and also pandering to the coal votes in Ohio and Pennsylvania. But it's so backward looking."

Van Nostrand, a "lifelong Republican," said he thinks Romney's energy plan was irresponsible. While the nation still needs coal, he said, Obama has been "too hostile to coal."

"I'm torn between what's good for West Virginia as opposed to where I think the country ought to be heading, but I do think Obama's been a little too hard on coal. But I do think his ‘all of the above' option is best long term for West Virginia even though it may not be as great in the short term because it does dampen demand for coal," Nostrand said.

Jerry Fletcher, a professor of resource economics and director of WVU's Natural Resource Analysis Center, said he doesn't see a lot of stability in the future but blaming coal's problems on Obama is misled. He blames the market and said it might be best to look to other uses for coal.

"I think coal is a very valuable resource but it might not just be for thermal energy anymore - it's a source of very complex hydrocarbons," Fletcher said. "China runs their whole petrochemical industry off of coal and we don't. We run it off petroleum, and that I don't think is necessarily the right approach."

Jeff Herholdt, director of the West Virginia Division of Energy, said he thought both candidates should "appreciate the arguments that coal needs to be recognized as a critical energy source."

"We can do a lot of stuff with energy; the issue is what does it cost us? Coal and natural gas represent affordable energy and that's fundamental to jobs and our economic competitiveness," Herholdt said. "And that really needs to be a central argument in how we advance our domestic energy. You really cannot make a market unless there is an economic opportunity."

Natural Gas Less Worried

The natural gas industry seemed less worried about Obama's re-election. Both candidates touted the development of domestic oil and gas. With a lot of excitement in new shale gas plays, including the Marcellus Shale in West Virginia, producers are expecting some more scrutiny than they may have seen under Romney.

"I hope that going forward, we take the opportunity to use all of our energy sources in this country and we get to the place we've all talked about for decades - and that is energy dependence," said Corky DeMarco, executive director of the West Virginia Oil and Natural Gas Association. "... I can tell you, we have enough energy here. We don't need to import anymore."

DeMarco said he hopes the federal government will choose to offer guidance but stay out of regulation of the oil and gas industry. That, he said, is better left to the states.

Marcellus Shale Coalition president Kathryn Klaber congratulated the president and also reached out to compromise with the president.

"Natural gas is revitalizing our nation's manufacturing base and giving our nation a more competitive position in the global economy, and as President Obama has said, ‘We have a supply of natural gas that can last America nearly 100 years,'" Klaber said in an issued statement.

The Independent Petroleum Association of America's chairman Virginia Lazenby also was thankful to hear her industry spoken of favorably in this election cycle. However, she expressed a number of concerns, including repeal of oil and gas tax subsidies proposed by Obama, and over-regulation at the federal level.

"We encourage the Obama administration to empower the states and implement a framework that allows independent producers to do what they do best - safely and responsibly find and develop American energy," Lazenby said. "If allowed to do so, oil and natural gas development will increase our nation's energy security, create much-needed jobs and give the American people the standard of life that petroleum creates."

Andrew Browning, the executive vice president of the Consumers Energy Alliance, said while both candidates came out favorably on natural gas, the regulation of controversial hydraulic fracturing techniques have yet to fully determine. He said the war on coal was a big issue, but it was not "enough to prevent Obama from carrying states like Ohio and Pennsylvania."

"Any type of economic recovery is going to be supported by energy production," Browning said. "They're finding ways to bridge - they definitely do not want to kill that goose lays the golden egg. It's going to be interesting to see how they move forward."

Mike Mikus, the mid-Atlantic director for CEA, said that while Obama won, the president should look carefully at the constituency that did not approve of his first term.

"Barack Obama won handily, but he lost pretty badly in a lot of the coal-producing counties in West Virginia. ... Some of those counties were by pretty wide margins," Mikus said. "... I think people are concerned. Nobody can read the tea leaves, but I think people in these regions, coal-producing regions, and natural gas producing regions are worried that there will be more regulations they believe will impact jobs and hurt economies."

Energy reporter Pam Kasey contributed to this story. She can be reached at pkasey@statejournal.com.

News Clips Report

Environmentalists, Industry Square Off On Emissions Data
Oil and Gas Investor - This Week

11/08/2012

Environmentalists, Industry Square Off On Emissions Data

The footnotes to scientific advancement are often filled with the feuds that held them back. But in the pitched battle between environmentalists and shale oil and gas extractors, what constitutes "science" is one of the biggest sources of friction.

Environmentalist groups petitioned the Environmental Protection Agency (EPA) on Oct. 24 to compel oil and gas extractors to report data on the disposal and release of toxic chemicals during operations.

The evidence, the groups said, points to dangerous emissions from hydraulic fracturing and drilling.

The oil and gas industry response: Evidence shows fracing is safe, and that the industry is troubled that report requirements would be time-consuming and costly.

But some scientists say emissions data is based on widely varying assumptions and that further study will help guide industry on how to measure, monitor and manage emissions from wells.

Pushing ahead, the Environmental Integrity Project (EIP) and 16 others organizations want oil and gas extractors to submit data to the Toxics Release Inventory (TRI), which contains information about 650 toxic chemicals.

Forcing extractors to report emissions will bring "daylight to dark corners by requiring companies to quantify and report their pollution" in a public database, said Eric Schaeffer , EIP project director. The groups note electric utilities, coal mining and metal mining have reported to the TRI for nearly 15 years.

Steve Everley , a spokesman for industry advocacy group Energy in Depth , (EID) said the petition is a "messaging exercise" and that the EPA, under Democrat and Republican administrations, has concluded several times that TRI isn't appropriate to monitor extraction emissions.

TRI reporting requirements take up an average of 48 man-hours per facility and cost $2,400, according to EID. Reporting to the TRI could result in well operators preparing dozens or even hundreds of such reports, EID said.

The United States has roughly 500,000 oil wells in operation. If just half of those operators were required to file a report, the endeavor could cost $600 million and consume more than 1,300 years worth of man hours, Hart Energy found.

"If the goal is to frighten the public, then the groups behind this latest petition drive can pat themselves on the back for a job well done," Everley said. "But those same groups are fundamentally uninterested in an informed and fact-based discussion about risk, because that would mean actually having to defend their baseless claims."

What constitutes evidence is an open question.

For instance, David Allen , director of the Cockrell School of Engineering's Center for Energy and Environmental Resources at the University of Texas at Austin, is studying methane emissions from shale gas production. Allen was a lead investigator for the first and second Texas Air Quality Studies, which had a substantial impact on air quality policies in the state.

News Clips Report

“We hope to bring hard, scientific findings to an environmental issue that is still not well understood,” Allen said.

EIP said a congressional report based on voluntary industry disclosures shows extractors regularly uses products containing at least 45 TRI-listed chemicals, including methanol, 2-butoxyethanol and ethylene glycol.

The EPA “estimates the oil and gas industry releases 127,000 tons of hazardous air pollutants every year, second only to power plants and more than any of the other industries already reporting to TRI,” EIP said.

Where does that figure come from? EIP extrapolated it from an EPA estimate of industry emissions to support a proposed air rule. EPA said the regulation would block 38,000 tons of emissions or "nearly 30 percent."

That number, however, is based on analysis that inconsistently rounded “significant figures,” according to the EPA. To compensate, the EPA rounded its final result, acknowledging its number “does have uncertainty” but was otherwise valid.

The environmental groups also say EPA investigations of natural gas development in Pavillion, Wyo., and Dimock, Pa., found toxic chemicals and methane present in groundwater and drinking-water wells.

The Pavillion findings were recently disputed by industry groups that say subsequent data from U.S. Geological Survey testing revealed flawed EPA sampling and results that couldn’t be replicated.

Energy in Depth points to several studies that have shown well emissions are generally safe:

--In California, a study found emissions associated with high-volume hydraulic fracturing were within regional air quality standards.

--In Pennsylvania, the Department of Environmental Protection conducted tests in the vicinity of the Marcellus shale and did not identify concentrations of substances that would lead to air-related health problems.

--In Texas, the Commission on Environmental Quality found that air monitors in the Barnett shale area showed no levels of concern for any chemicals.

The EPA has said that some of the largest air emissions in the oil and gas industry occur as natural gas wells have been fractured for production, releasing toxins such as benzene, ethylbenzene and n-hexane.

Those conclusions have drawn scorn from the industry.

Mary Lashley Barcella , director of IHS CERA (NYSE: IHS), said the assumptions underlying EPA’s methodology do not reflect current industry practices.

If methane emissions were as high as the EPA assumed, extremely hazardous conditions would be present at well sites -- something the industry and regulators would not tolerate.

And the U.S. Energy Information Administration (EIA) reported in August that carbon dioxide produced from energy use was at its lowest point in two decades, despite increased fracing. The decline is partly due to low-cost natural gas supplanting coal-fired energy, EIA said.

Still, people living near well sites are concerned. Deb Thomas, Powder River Basin Resource Council organizer and resident of Clark, Wyo., said those who fear for their health believe disclosure is vital.

"We need to know what we're being exposed to so that physicians can diagnose and treat our health problems and we can make informed decisions about staying in the communities we live in," Thomas said.

The industry has voluntarily taken steps to provide more information to the public.

In the past year, 200 energy-producing companies with more than 15,000 well sites have registered with FracFocus , the national hydraulic fracturing chemical registry. On Oct. 17, FracFocus announced Mississippi would join Montana, Oklahoma, Texas, Pennsylvania, North Dakota, Colorado and Louisiana in disclosing information.

News Clips Report

Obama to Weigh Energy Boom, Climate Change in Second Term
MedicalDaily.com

11/08/2012

Home > US/World

President Barack Obama will face a two-fold challenge in energy policy in his second term: make good on his promise to act on climate change, while at the same time foster growth in oil and gas production that has spurred jobs and manufacturing.

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"And that's roughly what he's been trying to do, so it would not be a big departure," Levi said in an interview.

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That effort failed, and his Environmental Protection Agency embarked instead on crafting an ambitious series of rules aimed chiefly at pollution from coal-burning power plants.

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"Climate is back on the agenda, and I think Bloomberg especially is going to hold the president to some sort of action," said Andrew Holland, an energy policy analyst with the American Security Project think-tank.

Obama steered clear of the issue during the election, but mentioned climate change in Tuesday's victory speech as one of a trio of challenges facing the country.

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CARBON TAX TOUGH SELL

Now that the election is over, regulations proposed and studies undertaken by Obama's agencies will return to the forefront.

"It's going to be a rougher second term for oil and gas given the way the environmental debate is going and the diminished incentive Obama has to protect oil and gas after his last election is behind him," said Robert McNally, a White House energy adviser during the George W. Bush administration who now heads the Rapidan Group, a consulting firm.

Environmentalists are also increasingly lobbying centrist Democrats like Obama to tighten federal water and air regulations on fracking operations.

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The administration also faces a tough call on whether the United States should allow more exports of its newfound shale oil and gas bounty. Critics have warned that too many exports risk triggering a spike in fuel costs for consumers and undermining a domestic manufacturing recovery.

With many scientists blaming climate change for fueling stronger weather events like the deadly Superstorm Sandy, some green groups have said Congress should look at passing a carbon tax.

That could raise significant revenue for the debt-ridden federal government, but many Republicans would reject supporting anything resembling a tax, said Scott Segal, a partner at Bracewell & Guiliani, a law and lobbying firm.

Still, the idea of a tax that could raise $144 billion in revenue by 2020 will receive a lot of discussion and study, Segal said on a conference call on Wednesday.

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News Clips Report

Obama could put heat on drillers but stall gas exports
Reuters

11/08/2012

* Tough decisions on gas and oil exports will probably languish

* Carbon tax unlikely despite Superstorm Sandy

* EPA studies may offer clues on natural gas rules

By Timothy Gardner

WASHINGTON, Nov 7 (Reuters) - Barack Obama could toughen regulations on producing and burning natural gas, coal and oil early in his second term, raising some costs for energy companies, analysts said.

The president likely will take far longer to decide whether the United States should export its newfound shale oil and gas bounty. Opponents warn that exports would spike fuel costs for consumers and undermine a domestic manufacturing recovery.

Obama slowed regulation of fossil fuels during his campaign against Republican challenger Mitt Romney, who ran on expanding drilling and letting states dominate oil and gas regulation. Obama streamlined regulation on drilling for natural gas from shale and delayed finalizing rules on mercury emissions from power plants. The light touch may have helped the president gain support from voters anxious about jobs in gas-rich Pennsylvania and Ohio.

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And environmental groups are increasingly lobbying centrist Democrats like Obama to tighten regulations on hydraulic fracturing - known as fracking - as efforts on pushing Congress to fight climate change wither.

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EXPORT DELAYS

The Obama administration this year also delayed decisions on exporting vast new natural gas finds to countries besides those with which it has free-trade agreements. Skeptics on exports including Senator Ron Wyden, a Democrat in line to head the chamber's energy committee, have raised concerns about diverting fuel that could be used to support domestic manufacturing and raising prices in the process.

The Energy Department this year delayed a study on the economic effects of gas exports. But even if the study eventually projects limited effects, allowing the shipments would be a difficult decision for any president.

"Are we about supporting domestic industries, about the energy industry or about just low energy prices for American citizens?" said Sarah Emerson, the head of Energy Security Analysis Inc, in Boston, describing the difficulties of the decision. "I'm not convinced either Obama or Romney would do anything on any of this."

News Clips Report

The lack of clarity means the United States faces huge questions about what fuels it will use to power its future as it inches toward greater energy independence.

During Obama's first four years, the United States unseated Russia as the world's top natural gas producer, and oil output last month hit a 17-year high. The gains were because of advances in fracking and horizontal drilling - not policy decisions.

Until decisions on exports are made, it could make investors hesitant to sink money into renewable energy or even know which fossil fuel to favor.

"We have regulations for safety and clean air, but we've never really had a concerted, careful and coherent energy policy, and I don't really see us developing one," Emerson said.

SLIM CHANCE FOR CLIMATE TAX

With many scientists blaming climate change for fueling stronger weather events like the deadly Superstorm Sandy, calls have risen for Congress to pass a carbon tax.

But such efforts face an uphill battle. Many Republicans would reject supporting anything resembling a tax. It could put an unfair burden on the poor and raise fuel prices for consumers weary of two years of high gasoline costs.

"Sounds great, but there are many issues with a carbon tax," said Whitney Stanco, an energy policy analyst at the Washington Research Group, in a note to clients. Washington Research advises institutional investors.

Until the U.S. economy significantly recovers, major climate legislation is unlikely to pass, especially after Republicans retained control of the House of Representatives.

As a result, the Environmental Protection Agency will likely move forward on regulating greenhouse gases, Stanco said.

CLUES TO FUTURE GAS RULES

The EPA is expected to release soon two fracking reports that could provide clues to how the Obama administration will treat natural gas drilling over the next four years. The agency is expected to finalize a report issued late last year that said fracking polluted water supplies in Wyoming.

The agency has insisted Wyoming's unique geological formations make it difficult, if not impossible, to assume that the sort of pollution that happened there could occur in other regions of the country. But if the final report confirms the initial results, gas investors may watch headlines closer than the details, Rapidan's McNally said.

In addition, the EPA is set to release initial results of a study on fracking's effects on groundwater supplies. And the Department of the Interior is expected to finalize draft rules later this year on fracking on public lands. The administration hopes these could be used as a template for rules on state lands.

News Clips Report

Harsher energy regulations seen in Obama's second termReuters - 13 hours ago Yahoo! News

11/08/2012

Triumphant Obama girds for Washington battleAFP News - 12 hours ago

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News Clips Report

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Companies with refineries in Port Arthur or in nearby Beaumont include Valero Energy Corp (NYS:VLO - News), Royal Dutch Shell (LSE:RDSA.L - News), France's Total (PAR:FP.PA - News) and Exxon.

FORECAST: SUNNY SPELLS, BREEZY

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Obama's advisers include Energy Secretary Steven Chu, a Nobel Prize-winner with expertise in renewable energy, who regularly talks up the government's role in developing hydraulic fracturing technology. The top White House energy adviser is Heather Zichal, who has been an advocate for green jobs and tackling climate change by reducing dependence on oil.

Obama's green policies had a major setback when solar power company Solyndra collapsed after receiving a $535 million federal loan guarantee. And his energy strategy shifted away from climate change when a bill establishing a cap-and-trade system to curb carbon emissions died in the U.S. Senate in 2010.

Renewable energy also faces obstacles that are not directly related to policy: competition from low-priced natural gas; lack of infrastructure to connect projects to the grid; and a glut of solar panels putting manufacturers out of business. Yet

having Obama back was broadly welcomed by most in the green business.

"The renewable energy industry and solar have retained a really important ally in the White House," said Arno Harris, chief executive of U.S. solar installer Recurrent Energy, a unit of Sharp Corp

. "Solar and renewable energy were so severely attacked during the campaign that the president's win, I think, gives him a mandate in pursuing a clean energy agenda."

CHEMICALS BRACE FOR HIT

Obama is also likely to implement long-delayed emissions regulations for industrial boilers that are commonly used by chemical makers. The centerpiece provision, Boiler MACT (Maximum Achievable Control Technology), was proposed in 2004 but effectively shot down by courts before the EPA revived it in 2011.

It has been winding its way through courts again, and the EPA is due to issue new rules by December.

Obama's victory may embolden EPA Administrator Lisa Jackson to further tighten Boiler MACT regulations next month on limits for dioxin, mercury and carbon monoxide emissions. It is not clear if Jackson will stay at the agency in Obama's second term.

"While we don't agree with some of the provisions (of Boiler MACT), we think that it will be pushed through more readily than if Romney had won," said Lawrence Sloan, president of the Society of Chemical Manufacturers and Affiliates, a trade group.

(Additional reporting by Anna Driver in Houston, Ernest Scheyder in New York, and Krishna N. Das and Swetha Gopinath in Bangalore; Writing by Nichola Groom and Braden Reddall; Editing by Patricia Kranz, Richard Chang, Bernadette Baum and Leslie Gevirtz)

News Clips Report

Fight over greenhouse gases may be slowed
Columbus Dispatch - Online

11/08/2012

WASHINGTON — President Barack Obama's re-election, along with key wins by Senate Democrats, ensures that the federal government will press ahead with efforts to promote renewable energy and energy efficiency, and to curb greenhouse-gas emissions linked to climate change.

But the scope of these policies could be constrained by congressional opposition and by concern about their economic impact, making it likely that a second Obama term will deliver some, but not all, of environmentalists' top priorities.

Investors were quaking already, pummeling shares of coal-mining companies that waged a vigorous advertising battle against Obama's re-election and that are potential casualties of any curbs on greenhouse-gas emissions. Shares of Peabody Energy fell 9.6 percent yesterday, Arch Coal plunged 12.5 percent, Consol Energy dropped 6.1 percent, and Alpha Natural Resources sank 12.2 percent.

"Obama's re-election ... provides the basis for positive movement on clean tech and climate action once the new Congress meets," the banking giant HSBC's global research group told investors. But it added, "Silence on climate issues during the campaign until the onset of Hurricane Sandy and continued Republican majority in the House means that scope for strategic action will remain limited."

The Environmental Protection Agency will continue to issue regulations curbing fossil-fuel production and promoting energy efficiency, according to people who have spoken with senior administration officials but asked not to be identified. Within the next few months, the agency will probably finalize the first carbon standard for new power plants, along with tighter restrictions on soot emissions from all utilities.

By the end of next year, the agency, which is conducting a study of the environmental impact of hydraulic fracturing, will probably impose some federal standards on the operations that are driving the country's natural-gas boom. It could consider imposing tighter fuel-efficiency standards on heavy-duty trucks, according to several environmentalists.

"What we expect is the president to deliver on climate, roll up his sleeves and build on the modest success of what he's done so far," said Michael Brune, Sierra Club executive director.

Jack Gerard, president of the American Petroleum Institute, said a second Obama term could be good for the oil and gas industry. Though a sharp critic of Obama, Gerard said that "the president's views have moved 180 degrees from where they were two years ago. The president is now actively articulating an energy vision, 'all of the above,' which includes oil and gas as the first two he talks about."

He said API would look to the administration to streamline drilling permitting and avoid actions to "stymie or limit" hydraulic fracturing. Gerard would oppose a carbon tax, which he said would inhibit production and raise energy costs. But the HSBC note to investors said that a relatively modest $20-a-ton tax on carbon emissions could slash the federal deficit by $1.25 trillion in the next 10 years.

Given Obama's embrace of an "all of the above" strategy, many energy industries claimed victory. Denise Bode, CEO of the American Wind Energy Association, said, "A lot of energy voters voted for strong renewables and a national energy policy." She hopes a package of tax extenders includes a wind-production credit. Uncertainty has hurt output at thousands of manufacturers, she said.

News Clips Report

At the same time, Luke Popovich, vice president of communications at the National Mining Association, said he still expected Obama to find it difficult to clamp down on the coal industry.

“We still have a divided Congress, we still have the Senate with strong bipartisan support for coal, and we still have a House anchored largely in opposition to EPA policies,” he said. “I’m not sure whether, after all is said and spent, that we’re that far removed from where we were. ... The Earth didn’t move.”

News Clips Report

Angry Tunisians Protest Shell's Shale Plans
Green Prophet

11/08/2012

Image via Tunisia Live

Having met strict regulations in the United States and other developed countries that have slowed down their ambitions, Shell has sought to use less developed nations as guinea pigs for an as-yet unproven shale gas extraction technology. But they have met surprise opposition in Tunisia, which boasts a relatively strong civil society despite the rising influence of Islamic extremists.

Dozens of activists from various environmental advocacy groups and other civil organizations gathered yesterday in front of the Tunisian Ministry of Industry and Energy to protest a budding relationship between the ministry and the energy giant.

Shale gas risks

Whilst shale gas extraction is not a new phenomenon, environmentalists and scientists caution that the process comes with high risk.

"Recent advances in horizontal drilling and hydraulic fracturing have made extraction of natural gas from shale formations more technologically and economically feasible," according to the US Environmental Protection Agency.

"Hydraulic fracturing is a method of extracting natural gas from highly impermeable rock formations by injecting large amounts of fracturing fluids at high pressures to create a network of fissures in the rock formations and provide the natural gas a pathway to travel to the well for extraction," they add.

But geologic pressure within the shale formation forces these fluids, called shale gas wastewater that contains high concentration of inorganic and organic chemicals, metals and "naturally occurring radioactive materials.

Improperly discharged or treated, this wastewater can pollute water supplies, a concern shared among Tunisian activists.

News Clips Report

Putting lives at risk for profit

Hamma Hammami, secretary general of the Tunisian Worker's Party, told Tunisia Live that the government's consideration of Shell's shale gas plans in the country are both careless and irresponsible.

"The government would put lives at risk in order to profit from the shale gas extraction," he added.

Although the Tunisian Ministry of Industry and Energy, Lamine Chakhari recently told local news that they were planning to sign an agreement with the energy company, a spokesperson for the ministry, Youssef Hachemi, said that no such agreement has yet been signed.

Though Hachemi acknowledged the potential economical benefits, he said that the ministry is working the National Committee for Hydrocarbons to study the company's proposal and have requested an environmental impact assessment.

Whilst a 2010 US EPA report shows that shale gas releases less greenhouse gas emissions than coal,"recent evidence suggests that methane has a global warming potential (GWP) that is 105-fold greater than carbon dioxide when viewed over a 20-year period and 33-fold greater when viewed over a 100-year period."

"However, the U.N. Intergovernmental Panel on Climate Change (IPCC), a preeminent authority on this issue, ascribes a GWP of only 25 to methane over a 100-year period, and only 72 over a 20-year period."

Meanwhile, "a 2011 study published in Climatic Change Letters controversially claimed that the production of electricity using shale gas may lead to as much or more life-cycle GWP than electricity generated with oil or coal."

The continuing debate reveals a great deal of uncertainty, although residents of Pennsylvania, where shale gas extraction is well underway, have reported a slew of new health problems since companies started working near their homes.

Tunisia's civil society

News Clips Report

Meanwhile, countries in North Africa and the Middle East, including Egypt and Jordan, which are desperate to meet energy shortfalls, are easy targets for Shell. Unlike the United States, where a host of organizations are well-poised to fight the corporate giant, both these countries have weak environmental movements.

But Tunisia is proving to be harder to manipulate.

“AgriEcoForest, an environmental advocacy group, demanded that the Constituent Assembly order the immediate freezing of any activity related to the exploration and extraction of shale gas and the suspension of the license granted to Shell in the region of Kairouan,” said Achref Gharbi, secretary general of the association, according to Tunisia Live.

He also promised to boycott Shell products if the plans proceed.

News Clips Report

UPDATE 1-Obama to weigh energy boom, climate change in 2nd term
Reuters - Online

11/08/2012

* Climate change, storm concerns could push EPA rules ahead

* Natural gas exports decision looms

* Divided Congress means carbon tax, other legislation unlikely

By Roberta Rampton and Timothy Gardner

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News Clips Report

UPDATE 4-Harsher energy regulations seen in Obama's second term
Reuters - Online

11/08/2012

* Tighter rules expected for oil, gas drilling

* Solar, wind likely to get renewed focus

* Chemical producers fear stronger emissions rules

* Coal stocks fall on regulation worries

By Nichola Groom and Braden Reddall

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CHEMICALS BRACE FOR HIT

Obama is also likely to implement long-delayed emissions regulations for industrial boilers that are commonly used by chemical makers. The centerpiece provision, Boiler MACT (Maximum Achievable Control Technology), was proposed in 2004 but effectively shot down by courts before the EPA revived it in 2011.

It has been winding its way through courts again, and the EPA is due to issue new rules by December.

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News Clips Report

An Energy Policy Preview of President Obama's Second Term
Independent & Free Press, The

11/08/2012

- Institute for Energy Research (Bio and Archives) Wednesday, November 7, 2012

President Obama's win last night means four more years of ever-more damaging regulation and ever-increasing difficulties in developing our oil, coal, and natural gas resources. President Obama announced his intentions to drive up energy costs in order to reduce energy consumption before he was elected and there is no reason to suspect that he will change course now.

The one difference between now and four years ago is that the House of Representatives is controlled by Republicans, instead of a Democratic House that gave President Obama tens of billions of dollars in subsidies and passed a cap-and-trade bill during his first two years in office. Therefore, it is unlikely that President Obama will be able to advance the more draconian aspects of his energy agenda through Congress, and instead, will be pursued through administrative regulation.

Within a few days, we can expect the EPA and other agencies to start issuing the regulations they have been withholding until after the election. These regulations will drive up the price of oil, coal, and natural gas by making their exploration, production, transportation and consumption more costly and uncertain. Because of the Obama administration's regulatory agenda, Americans should expect to pay more at the pump, more for electricity, and more to heat their homes.

The Obama Administration's Energy Regulatory Agenda

New Source Performance Standards for Greenhouse Gas Emissions from New Fossil-Fuel Power Plants. EPA released the proposed rule in March, but has not issued the final rule. EPA insiders claim that more than 50 EPA staff are working feverishly on the rule to finalize it in the coming days.[1] The rule bans new coal-fired power plants that do not capture carbon dioxide emissions, and since it is cost-prohibitive to capture those emissions, this is effectively a ban on new coal-fired power plants. Earlier drafts of this rule included references to the same regulation applying to existing coal-fired power plants. EPA claims that the rule is not meant to regulate existing plants, but that argument is not on solid legal footing and current plants could be regulated when they seek to comply with other rules such as the Mercury and Air Toxics Standards.

Greenhouse Gas Standards for Existing Power Plants and Refineries. EPA has been in negotiations with environmental special interest groups to create deadlines for greenhouse gas emission regulations for existing power plants and refineries. President Obama's victory means that EPA and environmental groups will come to an agreement, but time for such an agreement does not appear to be of the essence.

Ozone National Ambient Air Quality Standards. In 2008, the Bush administration tightened ozone regulations. The Obama administration wants to tighten them further. EPA has looked at tightening the standards, but regulations come at a steep price. It could cost 7.3 million jobs and $90 billion a year by 2020. According to the New York Times, President Obama decided to hold off on this regulation until after the 2012 presidential election, which displeased some of his strongest supporters in organizations opposed to the use of conventional energy sources. It is likely EPA will propose these new ozone regulations in the next couple months.[2]

Tier 3 Motor Vehicle Emission and Fuel Standards. These "Tier 3" standards would regulate gasoline and the emission control systems on vehicles. EPA has expressed a desire to lower the allowable amount of sulfur in gasoline even further than the existing Tier 2 regulation. According to the best available study,[3] just a single component of the new Tier 3 proposal would impose upfront compliance costs of almost $10 billion on gasoline refiners, and cause a permanent increase in refining costs of 6 to 9 cents per gallon of gasoline.[4] EPA insiders say that the Tier 3 is near the back of the line behind the court-mandated regulations, but these rules will likely be issued over the next few months.

Coal Combustion Residuals (Coal Ash). The Obama administration is considering classifying coal ash as a hazardous waste. The most significant problem with doing so is that currently millions of tons of coal ash are recycled every year and used for a variety of purposes including Portland cement, kitchen cabinets, and wallboard. This rule also increases the cost of using coal to produce electricity. The Obama administration will likely issue this rule sometime in the next few months.

National Emission Standard for Hazardous Air Pollutants for Industrial, Commercial, and Institutional Boilers (Boiler MACT). This rule regulates air emissions from more than 200,000 industrial boilers and process heaters around the country. According to EPA, the 2010 version of this rule had an upfront cost of $9.5 billion and an annual cost of $2.9 billion. Boiler MACT has had a complex regulatory history, but the White House has had the final rule since May 17. Therefore, it is very likely EPA will announce a final rule before the end of the year.[5]

Cement MACT. EPA proposed a rule to regulate air emissions from cement plants in June. The previous rule has been litigated and it is very likely the new rule will be finalized by the end of the year.

Bureau of Land Management's Hydraulic Fracturing Regulations. Currently groundwater and activities that affect groundwater are regulated by the individual states, even for activities on federal land. BLM will finalize regulations to regulate hydraulic fracturing on federal and Indian lands managed by the federal government—despite state groundwater regulations—in the coming months. This rule is estimated to result in economic costs between $1.4 and $1.6 billion each year.

National Ambient Air Quality Standards for Particulate Matter (PM 2.5). This summer EPA agreed with environmentalists to finalize a new NAAQS for PM 2.5 by December 14th.

Renewable Fuels Waiver. Several states petitioned EPA to waive the renewable fuels standard due to the severe drought and smaller corn crop in much of the country. EPA postponed a decision until after the election indicating that EPA would likely not grant the waiver.

Cellulosic Ethanol Mandate. Despite the fact that only 20,000 gallons of cellulosic ethanol have been produced this year, EPA will continue to mandate that millions of gallons of ethanol are mixed in gasoline. In previous years, when biofuel wasn't being commercially produced, EPA still imposed millions in fines on the refining industry for failing to meet the mandate to use the non-existent biofuel. In 2013, the amount of cellulosic biofuel required to be blended into the fuel supply is 1 billion gallons of fuel—a far cry from this year's paltry 20,000 gallons.

Subsidies. One key feature of the Obama administration's energy policy is providing large subsidies to unaffordable and unreliable energy sources. Under the Obama administration, wind energy subsidies increased by 947%, solar subsidies increased 534%, and biomass subsidies increased a whopping 1731%. Much of this money was in the Stimulus and is now gone. One program that remains is the wind production tax credit (PTC). The wind PTC expires at the end of the year and the Obama administration will fight to keep this subsidy. A one-year extension of the wind PTC is estimated to cost $12.1 billion.

Carbon taxes. During President Obama's second term, we anticipate the administration will make a serious effort to impose a carbon tax in order to generate the additional revenues necessary to sustain the massive projected increases in entitlement spending. This is simply a version the "cap and tax" exercise pursued by the administration in its first two years, in that it serves to raise costs to consumers of energy products and those products made with them.

News Clips Report

Onshore leasing of federal lands for energy production. The Obama administration will continue to offer few lands for oil, gas, and coal development and they will continue their slowdown of issuance.

Offshore leasing. Like federal leasing onshore, the Obama administration will continue its implicit moratorium on opening new lands for oil and gas development. Specifically, under the administration's offshore drilling plan for the next five years, 85 percent of the Outer Continental Shelf—which holds 86 billion barrels of oil—will be off-limits to energy production.

Alaska. The Obama administration will continue its token leasing in the National Petroleum Reserve-Alaska (NPR-A), half of which it closed off this year. These lands were originally set aside as part of the "Naval Petroleum Reserve" specifically to produce petroleum. The Obama administration will impose additional barriers to Shell's drilling in the Chukchi and Beaufort Seas.

Keystone XL. The Obama administration will likely continue to stall in approving the Keystone XL pipeline

A second Obama Administration can be expected to enter into more "sweetheart lawsuits." In these lawsuits, organizations that support the administration's agenda to reduce availability of affordable reliable domestic energy sue friendly agencies in order to achieve out-of-court settlements that meet both groups' goals, without the usual scrutiny of the judicial system. This phenomenon, known as the "sue and settle" approach to changing regulation and administration of law, is particularly pernicious in that it skirts the proper separation of powers among the branches of government, including congressional intent, administrative procedure and judicial scrutiny. Much damage can be done to the Rule of Law and economic liberty as a consequence of these suits and organizations and the media must be ever vigilant to protect the constitutional prerogatives threatened by such shortcuts of the limits to government.

Cabinet Positions and Personnel

Department of Interior. There is a decent possibility that Secretary Salazar will remain at Interior. A second term with Salazar will see much of the same—suppression of oil, coal, and natural gas production on federal lands and continued promotion of renewables. If Salazar were to leave, possible replacements include deputy secretary David Hayes, former Colorado Gov. Bill Ritter, outgoing Washington Gov. Chris Gregoire, and Washington gubernatorial candidate Jay Inslee (if he loses his election). All of these potential candidates are strong supporters of increased subsidies and help for renewable energy.

Department of Energy. Secretary Chu is expected to depart his post at the Department Energy. The Nobel Prize-winning physicist was never a great fit in the political world, especially after the bankruptcies and investigations from the DOE's loan programs. President Obama will likely tap a more politically savvy second term Secretary of Energy. Possible candidates include former North Dakota Sen. Byron Dorgan, former Michigan Gov. Jennifer Granholm, Center for American Progress President John Podesta, Duke Energy CEO Jim Rogers, Connecticut Department of Energy and Environmental Protection Commissioner Daniel Esty. These candidates all have been heavily involved with subsidizing energy.

Environmental Protection Agency. It is rumored that Lisa Jackson will depart her post at EPA. If Jackson were to leave, one possible replacement could be Deputy Administrator Bob Perciasepe, a career staffer. Another option would be California Air Resources Board Chairwoman Mary Nichols, but her confirmation hearings would be long and bloody. Another possibility is assistant administrator for EPA's Office of Air and Radiation, Gina McCarthy, who was a senior environmental official in Massachusetts for Gov. Romney. Former Pennsylvania environment secretary and former Clinton Council on Environmental Quality director, Kathleen McGinty, would be another possibility.

Department of Defense. We cannot speculate on whether Secretary of the Navy Ray Mabus will stay or go, but we expect the Department to continue its "green energy" boondoggles such as buying exotic biofuels at $27-a-gallon fuel to power the "great green fleet."

America voted for the status quo and that's what it will get in Congress. Republicans will continue to control the House and Democrats will continue to control the Senate. A divided Congress will help keep the Obama administration in check with respect to comprehensive energy legislation. However, there is a possibility that in order to do "something," Congress could pass a hodgepodge of mandates and subsidies, combined with a modest attempt at increasing production on federal lands.

House Natural Resources Committee

The chairmanship of the Natural Resources Committee could change depending on the chairmanship of the Rules Committee. If Rep. Hastings is tapped to helm the Rules Committee, Rep. Bishop is a likely replacement at the Natural Resources Committee. Rep. Hastings has been a defender and promoter of domestic energy production and Rep. Bishop will have similar priorities. Because Bishop is from a public lands state, there would like be some additional emphasis on public lands and empowering states to make more of the decisions, even on federal lands.

House Energy and Commerce Committee

Rep. Upton will continue as chairman of Energy and Commerce. Some conservatives were concerned with the selection of Rep. Upton, but he has been a stalwart defender of free markets and energy production to date.

House Oversight and Government Reform Committee

Rep. Issa will retain the chairmanship of the Oversight Committee. Under Issa, the committee has actively worked to hold the Obama administration accountable on key issues like the Section 1703 loan guarantee program that funded Solyndra, the Department of Labor's manipulation of "green jobs" data, CAFE standards, and the faulty assumptions behind the administration's rhetoric on oil reserves.

House Science, Space and Technology Committee

House Science and Technology, which has held a series of hearings on the dubious science behind the many EPA regulations that would affect the energy sector, will have a new chairman in the next Congress. Current chairman Ralph Hall is term limited, leaving prior committee chairmen Jim Sensenbrenner and Lamar Smith as potential successors.

Senate Energy and Natural Resources Committee

Sen. Wyden will likely become the Chairman of the Committee, replacing the retiring Sen. Bingaman with Sen. Murkowski as the ranking member. The Energy and Natural Resources Committee has long been politically moderate and with Wyden and Murkowski at the helm, it is expected to remain that way.

Senate Environment and Public Works Committee

Sen. Boxer will retain the chairwomanship of the Committee, but Sen. Inhofe is term limited as the ranking member. Sen. Inhofe has been a tireless advocate for free market energy policies and he will be missed as the ranking member. Sen. David Vitter is next in line. He has a strong record supporting offshore energy development.

Michigan's 25x25 Constitutional Amendment. This election did not feature many energy issues at the state level, but the most important one was the attempt to enshrine a 25 percent renewable mandate in Michigan's constitution by 2025. This constitutional amendment was defeated nearly 2 to 1 because Michiganders didn't want to pay more for their electricity and putting a renewable mandate in the state constitution was a step too far.

News Clips Report

[1] Conn Carroll, November surprise: EPA planning major post-election anti-coal regulation, Nov. 4, 2012

[2] American Products American Power, Air Emissions Regulations

[3] Baker & Baker, Addendum to Potential Supply and Cost Impacts of Lower Sulfur, Lower RVP Gasoline, Mar. 2012

[4] American Products American Power, Tier 3 Standards

[5] Environmental Protection Agency, Office of Air Quality Planning and Standards (OAQPS), Air Benefit and Cost Group, Regulatory Impact Analysis: National Emission Standards for Hazardous Air Pollutants for Industrial, Commercial, and Institutional Boilers and Process Heaters (April 2010)

The Institute for Energy Research (IER) is a not-for-profit organization that conducts intensive research and analysis on the functions, operations, and government regulation of global energy markets. IER maintains that freely-functioning energy markets provide the most efficient and effective solutions to today's global energy and environmental challenges and, as such, are critical to the well-being of individuals and society.

News Clips Report

Harsher energy regulations seen in Obama's second term
MSNBC - Online

11/08/2012

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Obama has paid plenty of lip service to natural gas since it burns cleaner than coal, and his approach to the oil and gas industry in general is more nuanced.

He has pledged to cut oil imports in half by 2020 and advocates an "all of the above" approach to developing domestic energy sources. Yet he has also said that he would roll back subsidies for oil companies and reduce U.S. reliance on oil by mandating production of more fuel-efficient vehicles.

FOOT ON GAS, TAX BREAK THREAT

More restrictions are expected for companies drilling on federal lands, as well as more rules governing water management and methane emissions. Any new rules related to hydraulic fracturing may drive up costs for active drillers including Chesapeake Energy Corp and Exxon Mobil Corp.

"You are going to have less access to federal lands and tougher government agencies," said Dan Pickering, chief investment officer at TPH Asset Management, part of energy-focused investment bank Tudor Pickering Holt in Houston.

Obama's solid support for natural gas on the campaign trail won him praise from America's Natural Gas Alliance, a lobby group. But he also wants to eliminate $46 billion in subsidies for fossil fuel companies, a plan producers vigorously oppose.

Virginia Lazenby, chair of the Independent Petroleum Association of America whose members supply 54 percent of U.S. oil and 85 percent of its natural gas, worried about potential "duplicate" federal regulation of what states already do, and rejected the call to collect more tax from the industry.

"IPAA hopes President Obama will stop his call to eliminate the crucial tax provisions of intangible drilling costs and percentage depletion, which are not subsidies at all, but allow independent producers to reinvest 150 percent of their cash flow into new energy projects," she said.

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Companies with refineries in Port Arthur or in nearby Beaumont include Valero Energy Corp, Royal Dutch Shell, France's Total and Exxon.

FORECAST: SUNNY SPELLS, BREEZY

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(Additional reporting by Anna Driver in Houston, Ernest Scheyder in New York, and Krishna N. Das and Swetha Gopinath in Bangalore; Writing by Nichola Groom and Braden Reddall; Editing by Patricia Kranz, Richard Chang, Bernadette Baum and Leslie Gevirtz)

News Clips Report

Obama to weigh energy boom, climate change in second term
WTBX-FM - Online

11/08/2012

U.S. President Barack Obama acknowledges supporters while addressing his election night victory rally in Chicago, November 7, 2012. REUTERS/

WASHINGTON (Reuters) - President Barack Obama will face a two-fold challenge in energy policy in his second term: make good on his promise to act on climate change, while at the same time foster growth in oil and gas production that has spurred jobs and manufacturing.

That could mean a revival of regulations for producing and burning natural gas, coal and oil that had been on hold during the election, and possibly some new rules for hydraulic fracturing, or "fracking," the water and chemical-intensive technique used to extract gas and oil from deep within shale beds.

With a "status quo" divided Congress focused on pressing debt and deficit issues, analysts expect Obama to use administrative tools to work toward his election-night vow on climate change.

"If the president focuses on dealing with our climate and security problems by addressing consumption and at the same time helps facilitate oil and gas production, I think he has a win-win on his hands," said Michael Levi, an energy policy analyst with the Council on Foreign Relations.

"And that's roughly what he's been trying to do, so it would not be a big departure," Levi said in an interview.

CLIMATE BACK ON AGENDA

Obama began his first term trying to work with Congress on a climate bill that aimed to curb emissions of greenhouse gases.

That effort failed, and his Environmental Protection Agency embarked instead on crafting an ambitious series of rules aimed chiefly at pollution from coal-burning power plants.

Obama slowed regulation of fossil fuels during his campaign against Republican challenger Mitt Romney, who ran on expanding drilling and letting states dominate oil and gas regulation.

After the devastation caused last week by Hurricane Sandy, New York City Mayor Michael Bloomberg endorsed Obama and made it clear he expected the administration to elevate action on climate change.

"Climate is back on the agenda, and I think Bloomberg especially is going to hold the president to some sort of action," said Andrew Holland, an energy policy analyst with the American Security Project think-tank.

Obama steered clear of the issue during the election, but mentioned climate change in Tuesday's victory speech as one of a trio of challenges facing the country.

"We want our children to live in an America that isn't burdened by debt, that isn't weakened by inequality, that isn't threatened by the destructive power of a warming planet," Obama said.

CARBON TAX TOUGH SELL

News Clips Report

Now that the election is over, regulations proposed and studies undertaken by Obama's agencies will return to the forefront.

"It's going to be a rougher second term for oil and gas given the way the environmental debate is going and the diminished incentive Obama has to protect oil and gas after his last election is behind him," said Robert McNally, a White House energy adviser during the George W. Bush administration who now heads the Rapidan Group, a consulting firm.

Environmentalists are also increasingly lobbying centrist Democrats like Obama to tighten federal water and air regulations on fracking operations.

The EPA is set to release initial results this year of a study on fracking's effects on groundwater supplies. Separately, the Department of the Interior is expected to finalize draft rules later this year on fracking on public lands.

The administration also faces a tough call on whether the United States should allow more exports of its newfound shale oil and gas bounty. Critics have warned that too many exports risk triggering a spike in fuel costs for consumers and undermining a domestic manufacturing recovery.

With many scientists blaming climate change for fueling stronger weather events like the deadly Superstorm Sandy, some green groups have said Congress should look at passing a carbon tax.

That could raise significant revenue for the debt-ridden federal government, but many Republicans would reject supporting anything resembling a tax, said Scott Segal, a partner at Bracewell & Guiliani, a law and lobbying firm.

Still, the idea of a tax that could raise $144 billion in revenue by 2020 will receive a lot of discussion and study, Segal said on a conference call on Wednesday.

(Editing by Marilyn W. Thompson, Ciro Scotti and Alden Bentley)

News Clips Report

UPDATE 2-Harsher energy regulations seen in Obama's second term
Power Engineering Magazine

11/08/2012

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News Clips Report

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Rocket News

11/08/2012

Written on November 7, 2012 by Editor - Top News Stories

LOS ANGELES/SAN FRANCISCO |

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News Clips Report

Obama to weigh energy boom, climate change in second term
Imperial Valley Press - Online

11/08/2012

U.S. President Obama acknowledges supporters at his election night victory rally in Chicago (PHILIP ANDREWS, REUTERS / November 7, 2012)

Roberta Rampton and Timothy Gardner Reuters

12:31 p.m. PST, November 7, 2012

WASHINGTON (Reuters) - President Barack Obama will face a two-fold challenge in energy policy in his second term: make good on his promise to act on climate change, while at the same time foster growth in oil and gas production that has spurred jobs and manufacturing.

That could mean a revival of regulations for producing and burning natural gas, coal and oil that had been on hold during the election, and possibly some new rules for hydraulic fracturing, or "fracking," the water and chemical-intensive technique used to extract gas and oil from deep within shale beds.

With a "status quo" divided Congress focused on pressing debt and deficit issues, analysts expect Obama to use administrative tools to work toward his election-night vow on climate change.

"If the president focuses on dealing with our climate and security problems by addressing consumption and at the same time helps facilitate oil and gas production, I think he has a win-win on his hands," said Michael Levi, an energy policy analyst with the Council on Foreign Relations.

"And that's roughly what he's been trying to do, so it would not be a big departure," Levi said in an interview.

CLIMATE BACK ON AGENDA

Obama began his first term trying to work with Congress on a climate bill that aimed to curb emissions of greenhouse gases.

That effort failed, and his Environmental Protection Agency embarked instead on crafting an ambitious series of rules aimed chiefly at pollution from coal-burning power plants.

Obama slowed regulation of fossil fuels during his campaign against Republican challenger Mitt Romney, who ran on expanding drilling and letting states dominate oil and gas regulation.

After the devastation caused last week by Hurricane Sandy, New York City Mayor Michael Bloomberg endorsed Obama and made it clear he expected the administration to elevate action on climate change.

"Climate is back on the agenda, and I think Bloomberg especially is going to hold the president to some sort of action," said Andrew Holland, an energy policy analyst with the American Security Project think-tank.

Obama steered clear of the issue during the election, but mentioned climate change in Tuesday's victory speech as one of a trio of challenges facing the country.

News Clips Report

"We want our children to live in an America that isn't burdened by debt, that isn't weakened by inequality, that isn't threatened by the destructive power of a warming planet," Obama said.

CARBON TAX TOUGH SELL

Now that the election is over, regulations proposed and studies undertaken by Obama's agencies will return to the forefront.

"It's going to be a rougher second term for oil and gas given the way the environmental debate is going and the diminished incentive Obama has to protect oil and gas after his last election is behind him," said Robert McNally, a White House energy adviser during the George W. Bush administration who now heads the Rapidan Group, a consulting firm.

Environmentalists are also increasingly lobbying centrist Democrats like Obama to tighten federal water and air regulations on fracking operations.

The EPA is set to release initial results this year of a study on fracking's effects on groundwater supplies. Separately, the Department of the Interior is expected to finalize draft rules later this year on fracking on public lands.

The administration also faces a tough call on whether the United States should allow more exports of its newfound shale oil and gas bounty. Critics have warned that too many exports risk triggering a spike in fuel costs for consumers and undermining a domestic manufacturing recovery.

With many scientists blaming climate change for fueling stronger weather events like the deadly Superstorm Sandy, some green groups have said Congress should look at passing a carbon tax.

That could raise significant revenue for the debt-ridden federal government, but many Republicans would reject supporting anything resembling a tax, said Scott Segal, a partner at Bracewell & Guiliani, a law and lobbying firm.

Still, the idea of a tax that could raise $144 billion in revenue by 2020 will receive a lot of discussion and study, Segal said on a conference call on Wednesday.

(Editing by Marilyn W. Thompson, Ciro Scotti and Alden Bentley)

News Clips Report

Supporters cheer U.S. President Barack Obama after he gave his victory speech during his election night rally in Chicago
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having Obama back was broadly welcomed by most in the green business.

"The renewable energy industry and solar have retained a really important ally in the White House," said Arno Harris, chief executive of U.S. solar installer Recurrent Energy, a unit of Sharp Corp

. "Solar and renewable energy were so severely attacked during the campaign that the president's win, I think, gives him a mandate in pursuing a clean energy agenda."

CHEMICALS BRACE FOR HIT

Obama is also likely to implement long-delayed emissions regulations for industrial boilers that are commonly used by chemical makers. The centerpiece provision, Boiler MACT (Maximum Achievable Control Technology), was proposed in 2004 but effectively shot down by courts before the EPA revived it in 2011.

It has been winding its way through courts again, and the EPA is due to issue new rules by December.

Obama's victory may embolden EPA Administrator Lisa Jackson to further tighten Boiler MACT regulations next month on limits for dioxin, mercury and carbon monoxide emissions. It is not clear if Jackson will stay at the agency in Obama's second term.

"While we don't agree with some of the provisions (of Boiler MACT), we think that it will be pushed through more readily than if Romney had won," said Lawrence Sloan, president of the Society of Chemical Manufacturers and Affiliates, a trade group.

(Additional reporting by Anna Driver in Houston, Ernest Scheyder in New York, and Krishna N. Das and Swetha Gopinath in Bangalore; Writing by Nichola Groom and Braden Reddall; Editing by Patricia Kranz, Richard Chang, Bernadette Baum and Leslie Gevirtz)